



FROM THE CHAIRMAN'S DESK

Early this year we hosted our successful International Conference. We ended up with a surplus of over R100 000, and again thank all those who contributed to this successful result. This has allowed us to grow our reserves to more than the required minimum.

The final figures for the 2012/13 season have now been finalised. Sadly, we have to report that we have had a very poor season. Our yearly expenses have exceeded our income by some R300 000, due to a combination of the following:

- The worst harvest in many years, some reporting a 50% decline in volumes. One large grower reported a result of less than 10% of the previous year. In total our harvest was less than half of the previous year. Fortunately, our unit selling prices were much better than the previous season, which to some extent offset the loss in volumes.
- As our levy income is based on unit volumes achieved, we seriously under recovered our revenue.
- There are many questions being asked in respect of the number of members who have in fact paid their levies. I appeal to all members to check that they have paid their dues. Unfortunately, many members contrive to avoid paying levies, or conveniently forget, until things get ugly. It is sickening that those derelict members still expect to participate in the intellectual benefits of SALGA. I have asked for a full reconciliation, and then we will name and shame those at fault, and their continued membership will be reviewed. We service some 120 members, and this makes our recovered revenue look hopelessly out of sync. The categories of levy collection are :
 - export sales;
 - local sales (local market);
 - direct sales; and
 - processing sales (juice).

- Cash sales ("bakkie sales"), for

obvious reasons of honesty/dishonesty, escape the collection net. This category always grows in years of poor quality and / or volumes. Members growing McLean's Red are also increasingly abandoning the export market, and resorting more and more to "bakkie / cash sales".

- More than 30% of the national litchi orchard is now in the hands of the "emerging / land claim" farmers, who predominantly sell to the "bakkie market" and who do not participate in the formal economy. In addition, there are also a significant number of these "former members" who have abandoned their previously productive orchards.

Following on the above, the SALGA executive is now faced with a tough task to maintain growth and momentum. Our reserves will carry us for a while, but it is obvious that we have some structural challenges ahead, not least of which is the hard fact that some large members are almost entirely funding SALGA, while smaller operators are getting a free ride. It would be a sad day if these large operators abandoned SALGA to form their own "club". I thank them for their loyalty, perseverance and patience while we attempt to bring fairness to bear. The large operators have for far too long generously shared their intellectual knowledge. The direct and administrative costs to service an apparent 120 members, most of whom do not pay levies, are considerable. This cannot continue.

The recent, sudden, 53% statutory increase in the minimum wages has ratcheted up the difficulties and risk profile of farming. It is fairly certain that the dramas with our labour will continue and we must expect further disruptions, especially at critical times. It is increasingly evident that our government does not subscribe to the "team SA" approach. We are the enemy. Continual examples of incompetence and lack of assistance to promote the improved performance of RSA Inc.



BRAZIL

The Brazilian litchi shift

Brazilian consulting and processing company Agropar has historically been involved with mango and grape projects, but its main focus at the moment is the country's growing litchi industry. Despite competition with low-cost processed Chinese litchis at home and South African fresh exports in Europe, the company has penned a deal with four Brazilian producers to find commercial opportunities domestically and abroad. Agropar owner André Briso estimates Brazil's current litchi production at 5 000 metric tons (MT) each year, with his clients accounting for 10%. However, with young trees building up to full production, he expects the national annual figure to double to 10 000 MT over the next two years. He says client deals for processed lychees will be sealed up by July next year and the 3 000 m² plant built before the season starts in November. Only 10% of Brazil's litchi production goes to processing at the moment, but in two years' time Briso thinks this could jump to 40%, with Agropar processing 1 000 MT of litchi pulp annually.

"When we have our fresh litchis, the Asian production is finished and we compete with South Africa and Madagascar, although the Madagascan fruit quality is not very good. Competition is mainly with South Africa. The variety we have in Brazil though, the Bengal, is very different to what they produce in South Africa and Madagascar; our variety not as big as theirs, but the brix is higher at a level between 22 and 23. That will be our advantage in the European market, despite the smaller size fruit."

He hopes to sign export deals to France, the Netherlands and the U.K., with the fresh export share of Brazil's litchi production to rise from 5% now to 30% in two years. This equates to a 50-50 split between local and overseas markets for the fresh fruit. "The local market in Brazil for fresh fruit is growing. In fact, there are many more companies now that import more than they export, whether its apples from Chile and Argentina, or plums from Spain." **ST**

(Source: <http://www.freshfruitportal.com/2012/05/15/the-brazilian-litchi-shift/>; shortened)



occur with irritating monotony. The latest example is the government's advanced plans to allow Madagascar to export litchis into the RSA. We are taking active steps to counter this plan, but expect the worst. It is inconceivable that our own Department of Agriculture, Forestry and Fisheries (DAFF) is conniving against us, and has not had the decency to consult the industry. It is reported that DAFF has been processing this plan for some considerable time. Besides the commercial implications of such actions, we are very fearful of the possible introduction of several devastating diseases already in China, the Far East and Australia.

ON THE BRIGHTER SIDE

We have made some progress with DAFF in respect of the future import of litchi cultivars, following our R125 000 failure from Australia last year. Sakkie Froneman has applied for further permits to import more new cultivars, and all is progressing well at this stage. We will reimport from Australia to replace the failed first effort. Recovery of our R125 000 from DAFF is on-going, and a complaint has been registered with the Public Protector to assist in this matter. There is a stark contrast between DAFF's actions and the co-operation, and efforts to save the situation received from the Australian authorities. They are still dumb struck by our authority's actions or lack thereof. Try and reconcile this disaster with the issue in respect of Madagascar.

I had occasion to privately visit

Australia recently, and took the opportunity to meet many of the main litchi players. Their hospitality and readiness to share knowledge was humbling. I was able to further cement relationships, following the visit by Sakkie Froneman last year. I am pleased to report that their past chairman, who I met in China, has accepted an invitation to visit us during August. We will arrange a few sessions with him to exchange ideas and knowledge.

Following last year's crop, some serious tree pruning has taken place on many farms. We wait to see what results from the many different approaches. This illustrates a further example of the dynamic nature of our industry at the moment. The core of larger players is intent on improving their farming practices.

It is likely that the first real commercial results from newer cultivars will be tested this year. Sakkie Froneman's program of widening our cultivar base will give this effort some serious momentum for the future.

Flowering is well on the way, and is early this year. The quality of flower also looks good compared to previous years, i.e. less leafy panicles. We have a long way to go, but so far so good.

The melt down of the Rand, largely courtesy of our government, should assist us this year, but does not bode well for our future.

I wish you well for the coming season.

Gavin Hardy