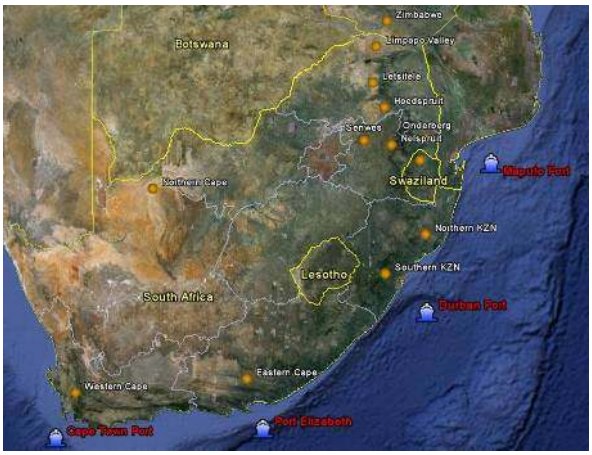
Citrus Growers Association of Southern Africa

Maputo Port - Strategic Citrus Growth Initiative

(Project 3/2009)

Preamble

The Maputo port in Mozambique has been an integral part of the citrus export process for Northern citrus production regions over the years, this being the case as the port is positioned in close proximity to production areas relative to alternatively shipping through the Durban port; thus reducing the cost of transportation.



Historically Southern African citrus exports were predominantly exported by Specialized Reefer Ships to all major markets, these vessels typically called at all four major citrus export ports to load products and deliver to global markets. From the 2004 citrus season, containerized exports to key markets i.e. Europe, Mediterranean and Middle East have grown exponentially which has resulted in a smaller portion of citrus exports being shipped in reefer ships. The volume of citrus exports from Maputo has similarly declined as the port currently does not offer direct container services to these key citrus markets, therefore a higher portion of citrus is being diverted to the Durban port. This in order to utilize the direct container service to all citrus markets; which is considered more cost effective. The volume of citrus currently exported from Maputo has declined from a historical volume of above 100,000 pallets annually to below 60,000 pallets during the 2008 citrus season. The strategic value offered by the Maputo port may well be overlooked by exporters and shippers who have sought to ship the majority of citrus from the Durban port in containers to these specific markets, this development is a cause for some concern. The remainder of exports from Maputo is largely made up of weekly or bi-weekly sailings to Europe, Mediterranean and the odd vessel calling Middle East and Russia. The purpose of this document is to briefly outline logistical constraints that will have to be overcome to ensure that the strategic value and competitive advantage offered by Maputo port to the citrus industry is sustained.

Contents

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1. Maputo Port Historical Volume Analysis

It can be seen from chart (1.1) below that volume of citrus exports from Maputo port has decreased during the reviewed period relative to growth seen through the Durban port, similarly significant growth in containerized volume can be seen from the Durban port during the same period. This level of growth through the Durban port has placed a significant amount of pressure on infrastructure; the result of this is severe congestion which began to occur more significantly during the 2007 and 2008 citrus seasons. Notwithstanding the high volume of containerized exports through Durban; this has increased three fold during the reviewed period. The high growth in containerized exports may be a cause for concern, citrus container exports from the Durban port are low compared to the total volume of containers handled. The stability and continuity required to ensure that the volume of citrus is loaded from cold stores making space for new fruit arriving, may be interrupted by port congestion at any time. This in fact was the case during week 32 when a very high volume of import, export, transhipment and empty containers was received at the Durban container terminal. The result of this caused a delay to the packing of citrus containers and severe congestion developed. These two factors have jointly contributed to some concern for citrus exports through Durban; there has not been sufficient investment toward infrastructural adaption (container) or capacity development to facilitate the growth in volume.

Chart 1.1

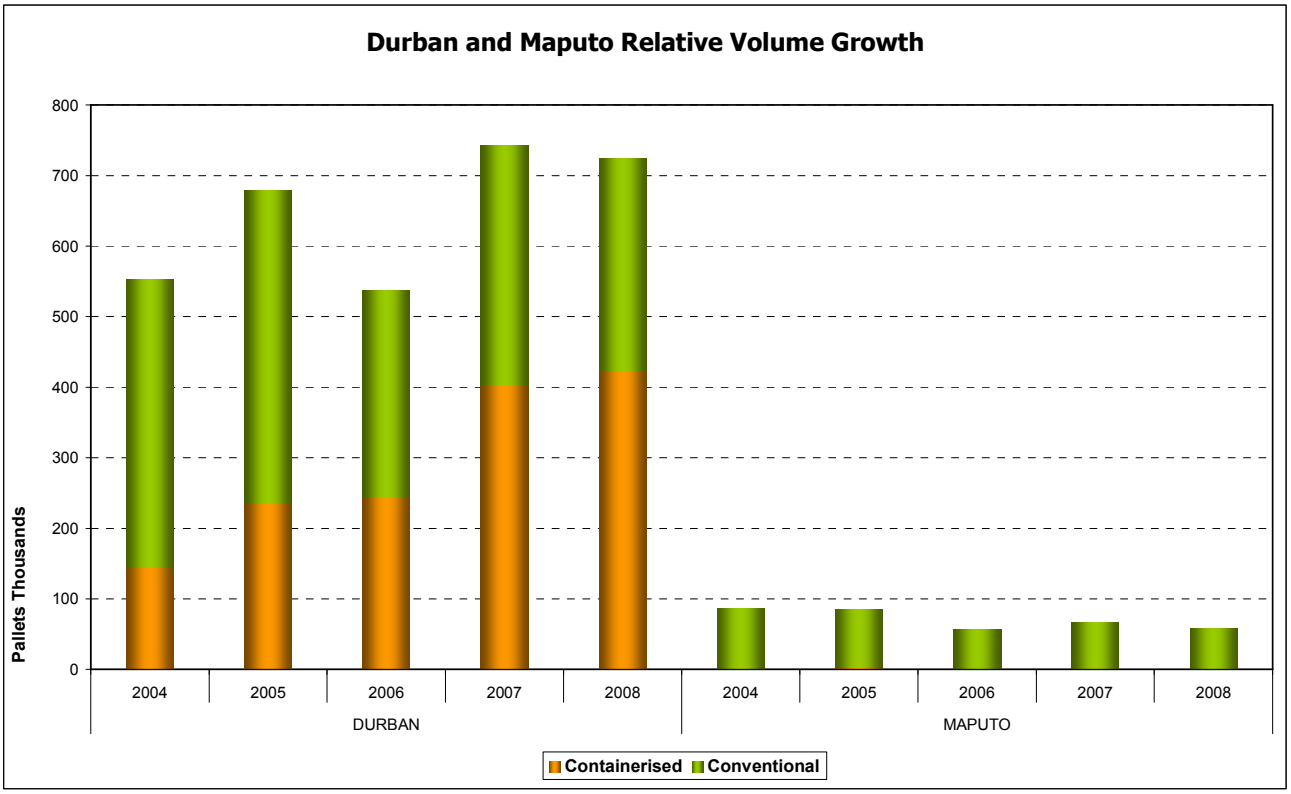

Chart (1.2) below reflects the volume of citrus exports to key export markets relative to the Durban and Maputo ports.

a) Mediterranean: this market has seen growth from Durban during the reviewed period in relation to marginal growth in conventional exports from Maputo, significant growth in containerized exports can also be seen from the Durban port. It was estimated that during the current 2009 citrus season 20, 000 pallets could potentially be shipped from Maputo to the Mediterranean between weeks 25 – 38; the market has seen a

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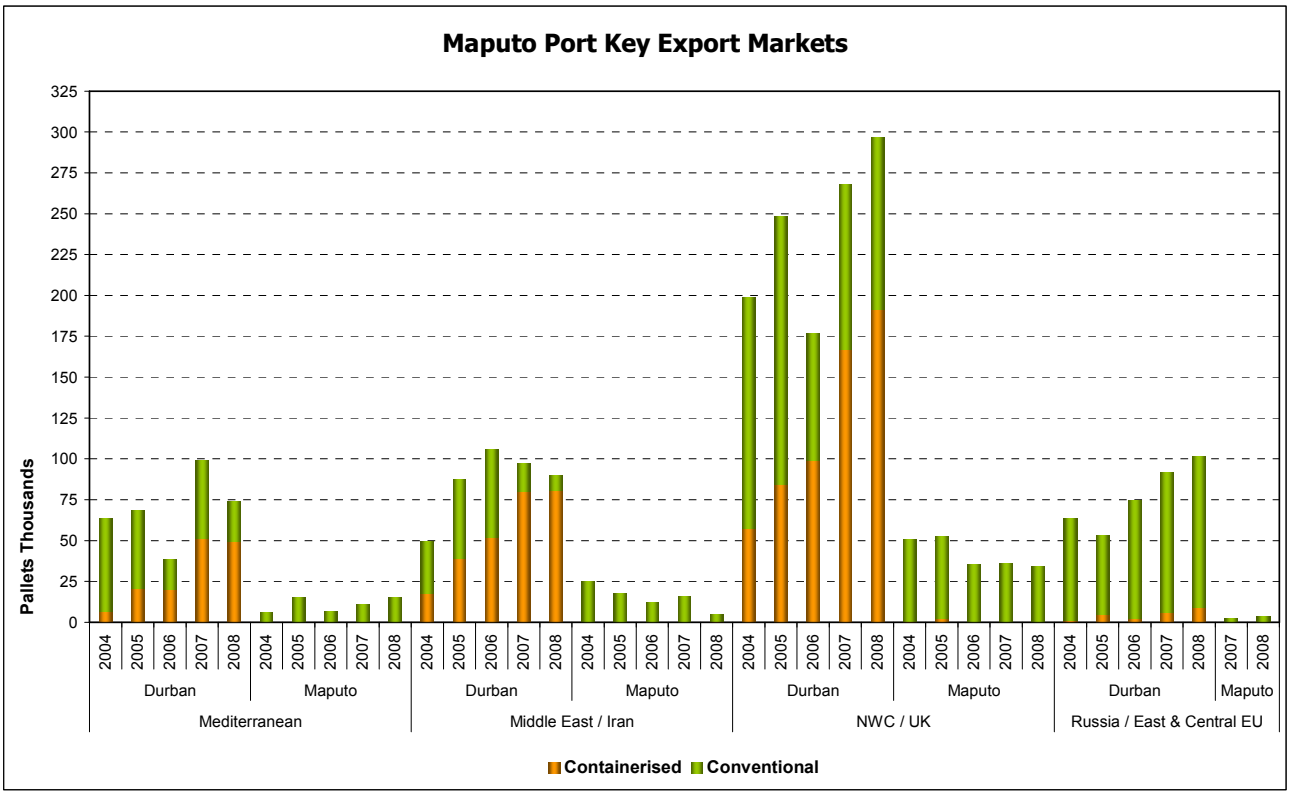
decline in export volume this year and therefore the estimate will probably not be achieved. There have been shipments of containers from Maputo direct to the Med during the current season; this could increase the throughput of volume shipped to this market from Maputo in the future.

Chart 1.2



b) Middle East: it can be seen that the Middle East market was an important volume contributor to the Maputo port, containerized growth has resulted in cargo being diverted to Durban as there is currently no direct container service from Maputo to the Middle East. It was noted in earlier Maputo reports that a direct container service or a competitive transhipment alternative from Maputo direct or via Durban to the Middle East could potentially contribute between 25,000 – 50,000 pallets annually. The current season an estimate of 10,000 pallets was anticipated through Maputo via conventional ships, this estimate may not materialize due to the limited number of ships calling SA shores relative to the high volume of containerized exports this year. The resurrection of volume through Maputo to the Middle East is of paramount importance to the contribution of citrus exports from Maputo, one needs to explore methods of reintroducing a service to this market either on a dedicated reefer charter basis contracted directly with buyers or the introduction of a direct container service.

c) Europe / UK: Europe and UK markets make up a significant portion of export volume from the Durban port; which accounted for 44% of export volume during the 2008 citrus season, a significant growth in export volume as well as growth in containerized exports can be seen from Durban. This has resulted in a lower amount of cargo sent to Maputo to ship in reefer vessels as once again there is no direct container service

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from Maputo to Europe. There is huge potential to shift volume away from Durban to ship from Maputo, the current season it was estimated that 60,000 pallets would be shipped from Maputo between weeks 20 - 38. This does not seem likely as the market has seen a downturn along with a priority to ship containers from Durban. If all Maputo constraints (which will be highlighted further) were resolved, there should be no reason why Maputo could not handle in excess of 100,000 pallets to Europe thus having a positive effect on the Durban port.

d) Russia: there has been little or no volume shipped from Maputo to Russia in the past, mainly due to buyers nominating Cape Town, Port Elizabeth and Durban as the ports of call on an FOB consignment basis. An extra port of call to Maputo may not favour the buyers and therefore Russia as a market has not contributed to volume through Maputo. There is potential for Maputo to increase volume of exports to Russia if a firm nomination could be achieved on a bi-weekly basis and 14 days storage rates offered, perhaps the solution for ships to call Maputo is to persuade vessel operators to call on an alternating schedule between Durban and Maputo. This solution would essentially enable a 10 – 14 day cycle between both ports. An estimated 10,000 pallets was forecasted through Maputo during the current season with potential for a mere 4,000 being shipped, there is growth in citrus export volume seen to Russia this year.

Potential Maputo Volume Throughput by Market:

On the basis of the current volume exported to these key markets between Durban and Maputo and given the volume growth, Maputo could potentially export 30% of the total northern region export volume to these markets in future if the identified constraints were overcome; along with infrastructure development.

Europe / UK: Weekly vessels of 4,500 pallets between weeks 20 – 38 = 90,000 pallets

Mediterranean: Bi-weekly shipments of 4,500 pallets between weeks 25 – 38 = 30,000 pallets (Containers)

Middle East: Bi-weekly shipments of 3,000 pallets between weeks 18 – 40 = 36,000 pallets (Containers)

Russia: Bi-weekly shipments of 2,000 pallets between weeks 18 – 38 = 22,000 pallets

Total potential annual citrus volume throughput = 178,000 pallets

(Ceteris Paribus)

2. Northern Region Citrus Export Volume Growth Projection

Production regions in the northern areas combined have shown growth in citrus export volume during the period under review, shown in chart (2.1) is the volume of citrus exported from Durban and Maputo combined. The actual volume exported during the period 2004 – 2008 is shown. From 2009 export volume from the northern region is expected to grow further by 2013; although it is estimated that during the current season a decrease may be seen with growth expected to resume by the year 2013 as indicated. The relevance of the chart is depicted by line L1 and L2 which represents the volume throughput of 680,000 pallets based on current capacity available in Durban (L1) with the current 60,000 pallets being shipped from Maputo (L2) reflecting the potential impact to the Durban port if volume through Maputo does not increase and exceed 100,000 – 150,000 pallets by the year 2013. It is also evident that due to underinvestment of infrastructure in Durban and the lack of utilizing

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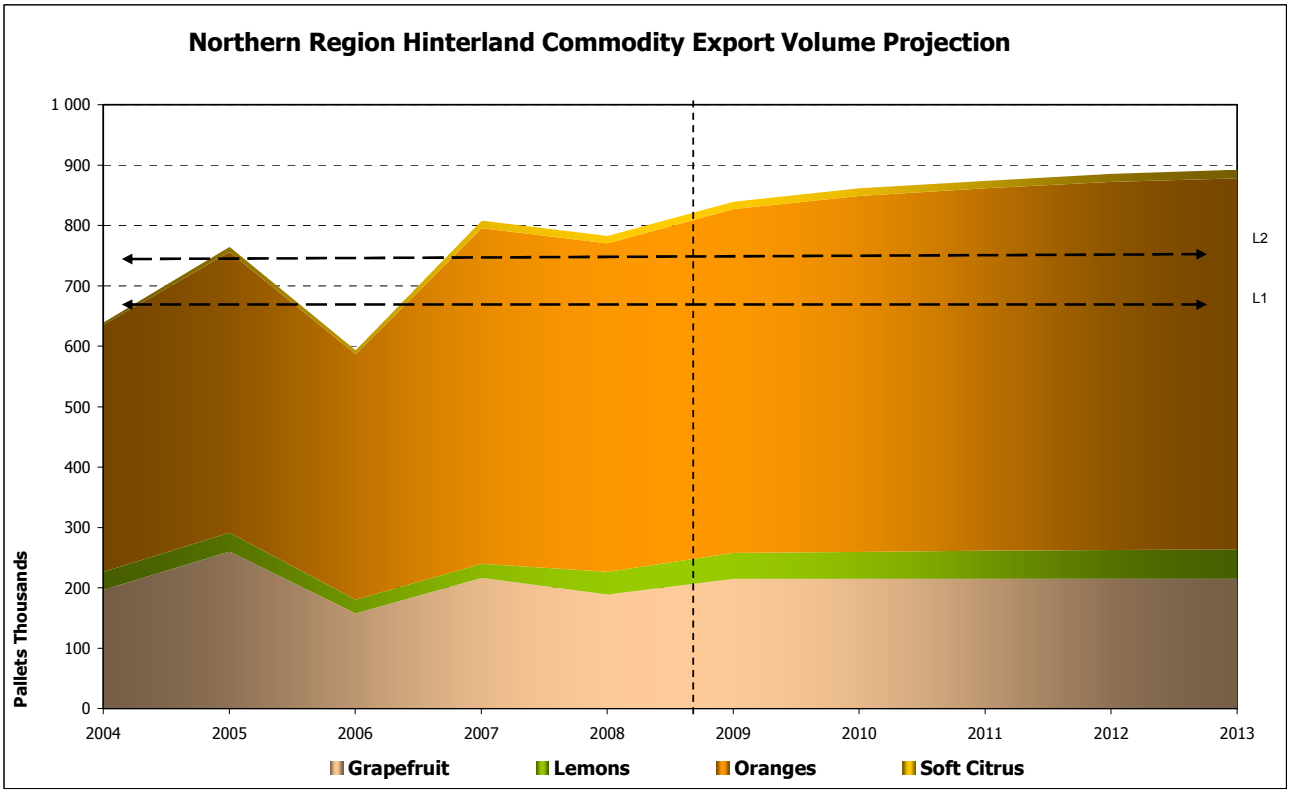
Maputo to alleviate congestion in Durban there has been an excessive amount of cargo which has been sent to the Durban port since the 2007 citrus season and hence congestion issues; which are likely to occur annually if Maputo port is not fully utilized. Overcoming the Maputo constraints is of significant strategic importance to the citrus industry, Maputo port must be the northern region citrus growers export port of choice along with the guarantee of service to key citrus markets offering a competitive alternative to Durban port.

Chart 2.1



Durban annual throughput calculation is based on current capacity of 55,000 pallets @ 85% utilization giving 46,750 pallet slots between weeks 20 – 39 totalling 140 days with an average dwell time of 10 days = utilization factor (uf) of 14 times per slot. Therefore 46,750 slots x 14 uf = 654,500 pallet throughput capability between weeks 20 - 39. Durban ships an average of 30,000 pallets before week 20 and after week 39. Therefore the total annual throughput capability of Durban based on the available capacity is calculated at 654,500 + 30,000 = 684,500 pallets per annum.

3. Maputo Hinterland Citrus Volume Growth Projection

Further to the previous section which highlighted the potential impact of the Durban port relative to growth projections, growth projection relative to the Maputo hinterland region must be emphasised to illustrate the potential volume of citrus exports available to the Maputo port. Table (3.1) reflects the Maputo hinterland regional citrus crop volume projection extracted from tree census data; which is based on citrus tree production per hectare converted to cartons and then pallets. High annual growth can be seen from these areas, in particular the period 2007 – 2011 where export volume is anticipated to escalate with total growth of 20% expected at a rate of 5% per annum. The volume as indicated from these areas has already materialized as reflected in chart (2.1) above. Maputo port currently handles less than 8% of the available hinterland citrus export production. It is anticipated that the volume growth reflected in the table will at some point necessitate further volume of citrus

exports through Maputo port as the Durban port may not be able to sustain this level of growth in the future. The full potential of Maputo port therefore has not been fully realized as it is anticipated that Maputo port could potentially export 30% of the available hinterland export volume if a guaranteed service to the key citrus markets were implemented.

Table 3.1

Maputo Hinterland Regional Volume Projection								
Region	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Regional Growth %**
Hoedspruit	46 044	51 105	56 599	58 605	64 111	66 254	64 557	40.2%
Letsitele	220 213	233 709	246 003	260 573	273 876	275 888	277 392	26.0%
Nelspruit	78 371	80 914	84 024	86 140	85 956	83 184	83 652	6.7%
Onderberg	141 504	143 285	147 975	152 971	157 913	160 275	160 371	13.3%
Senwes	98 747	107 730	116 403	119 988	125 273	130 017	133 801	35.5%
Swaziland	44 485	46 753	48 701	49 203	49 132	49 754	48 629	9.3%
Limpopo Valley	59 594	64 897	66 187	70 120	73 628	75 835	78 359	31.5%
Total Pallets	**690 966**	**730 401**	**767 901**	**799 611**	**831 900**	**843 219**	**848 773**	**22.8%**
Annual Growth %	-	5.7%	5.1%	4.1%	4.0%	1.4%	0.7%	

Source: CRI Citrus Tree Census 2007

4. Maputo Port Cost Comparison vs. Durban

One would assume that those production regions situated closest to Maputo port should gain by utilizing the port due to the geographical advantage of lower transport costs. In contrast when one analyses the cost differentials between sending citrus to Maputo or Durban, there are costs introduced at various stages that indicate that assumption may not be entirely true. Since the majority of citrus exported from Maputo is done primarily by conventional method it seems accurate to compare the same cost if the cargo was shipped through Durban and then ascertain which is the better alternative, it has been established that this comparison certainly makes Maputo a better option for certain regions that potentially gain from lower transport costs to Maputo and who currently utilize Maputo. The alternative which complicates the cost analysis is that of shipping containers from Durban which by calculation may offer a reduction of up to R1.00 a carton compared to the conventional option depending on the market and shipping agreement, the saving is further pronounced with the introduction of the high cube pallet (one or two additional layers of cartons to the pallet). It has also been established that there are fundamental differentiating factors of cost analysis between exporter agents and logistics agents (grower exporter representatives) who supply services up to a certain point of cargo ownership and who are responsible to transport cargo to that point be it FOB, CIF or DDP etc. During these various stages the cost of transport and cargo ownership changes hands at some point and therefore there are varying stages when calculating the costs associated with moving the cargo to that particular point and the cheaper alternatives offered by doing so. Europe, UK and Mediterranean are largely based on CIF or DDP where the responsibility of transporting the goods lies with the seller (Exporter or Agent). When evaluating the cost differential between CIF and DDP to

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Europe, UK and Med, the containerized option is preferred on CIF terms as the cost to transport the fruit to the receiving port is less than that of the conventional option whereas on DDP terms the conventional option is preferred as the cargo has to be transported from the discharge port to the receiving depot and the containerized option increases that portion of transportation at the receiving end. Middle East and Russia are predominantly based on FOB terms where the responsibility of the seller (Exporter or Agent) rests when the cargo is loaded on the ship at the loading port. When comparing the cost of shipping FOB, Maputo at the outset seems to offer a better costing than Durban which indicates that there is potential to attract Russia cargo to Maputo if the buyers could be persuaded to place a vessel on a bi-weekly basis or alternatively add Maputo as an additional port of call to their route.

In summary there still exists a market for both modes of shipping citrus to Europe, UK and Med markets although a larger portion of citrus transported to these markets are based on CIF terms and hence the growth in container volume. For Maputo port to attract growth in citrus volume, the option will indeed have to offer a more cost competitive alternative to shipping in containers from Durban. When evaluating the direct comparison of shipping to Europe, UK and Med markets by conventional from Maputo and containers from Durban, the container option from Durban offers a potential saving of approximately R0.50c to R1.00 a carton depending on production region. There are two main cost factors that contribute negatively on Maputo, the shipping lines calling Europe and Med place a surcharge over and above the freight rate of $12.00 a pallet (R1.37 a carton A15C type) for calling Maputo. This is to cover the additional port cost and bunker cost for calling Maputo as an added port of call to Cape Town, Port Elizabeth and Durban. Secondly the terminal operator MPT in Maputo has a higher handling rate per pallet compared to facilities in Durban which potentially adds R2.00 a carton (estimated A15C type) over and above a comparative Durban handling rate. Taking these two cost factors alone contributes an additional R3.37 a carton to the cost of Maputo compared to Durban. The current transport cost differential between the alternative of shipping through either of these ports favours some regions, therefore the cost described above is absorbed into the total coast chain and is therefore a comparatively cheaper option. The CGA has brought this to the attention of the shipping lines and the terminal operator and suggested that a rebate system; with an attractive costing, be introduced to incentivise additional volume to Maputo without adding risk of lower returns to shipper, terminal or ship-owner. MPT subsequently implemented the rebate structure based on annual volume throughput; the implementation of a rebate structure proposed from the shipping lines would mutually benefit both parties. This would reflect positively for the Maputo volume initiative.

5. Maputo Port Operational Constraints

5.1 Road Transportation

From an industry perspective it has been mentioned on numerous occasions that the Maputo port is favoured by exporters and growers alike, positive comments on the management and efficiency at the port terminal have been made at various workshops. However there are growers who have commented that the delay which is incurred at the border post prohibits transporters willingness to transport citrus across the border to Maputo. There was mention made at the MCLI AGM on the 6th August that the border constraints will be addressed. A further constraint is the lack of return cargo that can be transported back across the border that will ensure

economies of scale and reduced transport costs to growers. Further enquiries regarding the transportation of citrus from the Zimbabwe region to Durban port should be evaluated and proposals put forward to encourage Zimbabwe growers to utilize the Maputo port as a preferred port of export. Zimbabwe citrus is predominantly exported to Europe by conventional vessels from the port of Durban under bond, Maputo may well offer a competitive pricing structure if the constraints of border documentation and product inspection by PPECB could be overcome.

5.2 Rail Transportation

During the current season it is anticipated that 25% of fruit transported to Maputo will be sent by means of rail. This mode of transport is encouraged as it relieves pressure on road infrastructure as well as alleviating the border congestion and time spent at the border crossing. Rail further offers a more cost competitive pricing compared to road freight from certain areas as well as the cost saving incurred from the Maputo road haulage scanner cost which is estimated at R0.12c a carton.

Currently rail which is sent to Maputo is predominantly loaded out of Letsitele (Tzaneen / Letaba) and Hoedspruit areas. The possibility to further expand rail usage into Maputo from the Limpopo Valley (Messina / Tshipise), Groblersdal, and Marble Hall, Nelspruit, and Malelane and Komatipoort areas should be explored and encouraged.

Transnet Freight Rail has confirmed that they will be focusing their activities in the field of fruit transport to the commercially profitable routes. This leaves an opportunity for private rail entrepreneurs to fill this gap as TFR has now indicated their willingness to lease rail infrastructure to appropriately selected lessees. Apart from obtaining the required number of rail wagons the greatest challenge for these private rail entrepreneurs lies in the resurrection of railway sidings in various areas around Nkomazi, Burgersfort, Hoedspruit, Hazyview, Nelspruit and Groblersdal. Golden Frontiers Citrus situated in the Malelane and Komatipoort area; who are the majority of the annual Maputo volume base, proposed that the Mozambique rail operator CFM reach an agreement with it's South African counterpart TFR, proposing a concession be granted allowing CFM to cross the Komatipoort border utilizing the South African rail line for the purpose of loading wagons with citrus at the Komatipoort siding (siding 842699) destined for MPT Maputo. Strong emphasis should be placed on these proposals that will develop this service for the commencement of the 2010 citrus season.

5.3 Market Consolidation and Hedging Risk

A further impeding factor imposed upon Maputo is that of limited market access and therefore it makes it difficult for a single packhouse to consolidate cargo for markets specific to Maputo. Durban has shipping opportunity to all markets and therefore a packhouse could load a single truck with multiple markets. At present Maputo has a guaranteed service to Europe, UK and Mediterranean markets whether weekly or bi-weekly, Russia and Middle East vessels are scheduled on a spot basis and therefore exporters are not guaranteed of a service. This factor is considered a major constraint for Maputo to achieve the required annual volume throughput as guaranteed access to these key citrus markets could enable packhouses to consolidate over a shorter period and send full truck loads to Maputo as well as offering a wider market opportunity to exporters where consignments destined for a particular market could be exported to another; thus obtaining higher market prices if this be the case.

5.4 Quality

Sending cargo to Maputo for Europe or Mediterranean markets as an only option also poses some degree of risk for the exporter or producer, should market conditions change or quality issues develop or be identified whilst in

storage (an alternate market such as Middle East or Russia may not be an option). Due to the fact that cargo sent to Maputo is in bond, it may not be sent to a local agent for local consumption should the fruit not be exportable and may have to be either sent back over the border or alternatively dumped; which incurs a huge unnecessary expense. In order for these factors to be overcome guaranteed access to the key citrus markets Europe, Mediterranean, Middle East and Russia must be an option from Maputo.

6. Infrastructure Assessment and Development Proposals

Maputo cold storage capacity comprises of MPT (Mozambique Produce Terminal) which is the citrus terminal located within the port, MPT currently facilitates a total of 4,580 pallets of which 3,080 pallets are under cold storage and a further 1,500 pallets under ambient conditions. MPT operates on two dedicated berths and can load two reefer ships simultaneously utilizing ships operated gear. The terminal has no dedicated container loading bays therefore containers are loaded by means of trolley jacks and ramps. The efficiency of the terminal is excellent due to the amount of spare floor space for offloading of trucks and ample rail line which is located on the opposite side to the quayside operations, furthermore there is limited amount of interruption from local industry and open land is readily available for trucks to park and wait for offloading.

Capespan Logistics has a shared interest in the Matola Cargo Terminal which is located some 10km (15min) along the main corridor and assists MPT with additional cold storage capacity when the terminal becomes congested. The facility can handle a total of 2,700 pallets of which 2,400 pallets are under cold storage with an additional 300 pallets under ambient conditions. Fruit destined to be exported is then loaded on road trucks and sent to MPT to load direct onto the vessel from the quay.

As was mentioned earlier, Maputo port may have to play an important function in contributing towards the growth in volume projected from the Northern region in the coming years. The current trend of sending the majority of citrus volume from the Northern production areas to the Durban port has accentuated the congestion repercussion due to an over supply of volume relative to infrastructural capacity, the continuation of this trend will no doubt curtail the annual congestion and may become somewhat unsustainable. Maputo port has the potential to facilitate higher volume throughput going forward due to the ports ability to expand on infrastructure, the fact that the citrus operation operates in relative isolation from external industry contributes significantly to the success of the operations offered in the port. A significant advantage for citrus exports through Maputo is the well developed Maputo Corridor which extends from Maputo port into the northern citrus production hinterland, offering excellent road and rail networks directly into the citrus terminal in the port from these areas. Strategic investment of infrastructure in the region which will enable an increase in volume of citrus exports

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through Maputo port will at some point become a necessity as volume in production from this region exceeds available capacity, infrastructure and sustainable volume of citrus exports from the Durban port.

The citrus industry annually exports about 90 000 pallets of citrus to Japan and other special markets in specially treated consignments requiring cold sterilization of the product, this entails the inspection and approval of the fruit by the DAFF (Department of Agriculture, Forestry and Fisheries) followed by pre-cooling the fruit to the required protocol at cold storage facilities prior to loading. Currently exports to all special phytosanitary markets of fruit produced from the northern regions is exported from the Durban port; due to phyto inspection requirements, whilst the vast majority of the fruit is produced in the hinterland of Maputo. By addressing a couple of obstacles the shipping of these consignments could potentially be moved from Durban to include Maputo. The main obstacles which prohibit the exporting of citrus to special phytosanitary markets include:

a) Phytosanitary inspections by DAFF: The department conducts inspections at various facilities within the port of Durban and have not consented to extend the inspection service at points closer to production areas, this due in part due to the requirement of protocol that the fruit be inspected at the point of export and not undergo further transportation thus exposing the fruit to external elements that may develop during transportation. The other constraint in the case of the Japan market is the requirement that Japanese inspectors are present during inspections of fruit, vessel calibrations, and container inspections and signing of phyto certificates. There have been indications that the Japanese inspectors may no longer be present in South Africa during the citrus season for this purpose, this will enable more flexibility of inspections and shipments of citrus to Japan, although the protocol requirement will still be maintained under DAFF and PPECB (Perishable Products Export Control Board).
b) Infrastructure: The above case in point can be overcome either by the development of a pre-cooling facility at production point where fruit is inspected and loaded into containers and exported through Maputo or by DAFF agreement to inspections at inland production points (with the inclusion of transportation to Maputo post inspection) and/or the port of Maputo along with the development of forced cooling facilities for the pre-cooling requirement at the port of Maputo.

A feasibility assessment has been undertaken by FPT for the purpose of identifying proposals to increase the current capacity and infrastructure of the MPT port terminal, otherwise investment towards an inland pre-cooled cold store positioned in the Komatipoort area geared towards specialized and non-specialized markets. This would allow containers to be packed, railed and shipped through Maputo or as an alternative the cargo could be pre-cooled and trucked to the Maputo terminal then loaded on conventional reefer ships.

Citrus special markets are predominantly exported from Durban to Far East, Asia and Middle East markets, these countries consists of Japan, Korea, China, Taiwan, Malaysia, Indonesia, India and Iran.

7. Strategic Summary Points

1. Access to key export markets: Containerized volume of Southern African citrus exports has grown from 325,000 pallets representing 30% of total export volume in 2004 to 625,000 pallets representing 60% of total export volume in 2008. It is anticipated that growth in containerized volume will grow to a level representing

70% of total Southern African citrus exports by the year 2013. This growth in container volume predominantly to Europe, Mediterranean and Middle East markets has had a significant influence on the volume of citrus exported from Maputo port in Specialized Reefer ships to these important markets specific to Maputo, this due to the fact that direct access by containerization to these markets is not presently available from Maputo. The volume of containerized exports from the Durban port to these markets has grown substantially during this period and in so doing volume which naturally flowed to Maputo is being diverted to Durban for this purpose. The year on year volume of exports loaded by Specialized Reefer ships is decreasing, this will impact the volume of cargo sent to Maputo until such time that direct containerized export becomes an option as the port is currently reliant on reefer ships as the primary method of exporting through the port. Two key aspects are notable which if resolved could have a significant influence on volume growth through Maputo, a reduced or incentivised cost structure for citrus loading in reefer ships comparable to shipping through the Durban port in containers and direct access and reliable service to the key citrus markets from Maputo and more important a regular and reliable service to Middle East and Russia.

2. Competitive cost differential: A cost analysis was undertaken that sought to compare the FOB cost structure of Maputo and that of Durban ports and further to compare the cost differential from both ports to Europe and Mediterranean markets. From this exercise it became apparent that a cost saving was achieved by shipping citrus in containers from the Durban port as opposed to shipping to the same markets via conventional ships. This cost analysis also identified that cost structures were seen differently for Export Agents and Producer Exporters due to the shipping term and the additional cost of Europe landside portions on DDP terms which seems to favour the conventional shipping option. The landside cost portion namely, the FOB cost, favours Maputo considerably over Durban port due to the transport cost saving. Conventional shipping lines place a surcharge to the freight rate for cargo shipped from the Maputo port of $12.00 per pallet to recover bunker and port costs. CGA has consulted with the lines and proposed the cost structure be re-examined in the interest of attracting additional cargo to Maputo as all exports from Maputo to Europe and Mediterranean markets are by the conventional method, Maputo port was reiterated as a strategic port for the Specialized Reefer operators namely NYKCool and Seatrade Groningen (Anlin Shipping as SA agents). The strategic view and the rebate proposals will require follow up discussions to ascertain the viewpoint of the shipping lines.
3. Operational constraints: Some of the operational constraints were highlighted of which the most significant is the reduction in time trucks should spend at the border crossing. It has been made very apparent that the rail service between Letsitele and Maputo is very efficient and in most cases cross border constraints are not as pronounced as it is for road transport. A fundamental contribution can be made on the part of the MCLI committee to promote an agreement between Transnet Freight Rail and CFM for a concession to allow CFM to rail citrus from the Komatipoort region. Komatipoort region produces 20% of the hinterland citrus production and contributes in excess of 80% of citrus exported from Maputo. A dedicated and cost effective rail service between Maputo and the hinterland region will most certainly be an attractive offering to citrus producers.
4. Carbon Footprint: mention has not been made in the content of this document around the measure of the carbon footprint, at this time the realization that this measure will be introduced at some point. Northern

citrus production regions are located further from ports therefore the carbon footprint trail extends farther than production regions in the south that are located in closer proximity to ports, Maputo port on the outset will lower the northern regions carbon trail significantly compared to Durban which adds some 300km of inland transportation by road freight compared to a bulk Reefer vessels travelling that leg of the journey omitting presumably significantly less emissions.

8. CGA Project Process Summary

1. On the 18th May 2009, CGA held a workshop at the FPEF offices in Cape Town, in attendance were representatives from the main exporters, shipping lines, terminal operators and Maputo port officials. The purpose of this workshop was to reiterate the strategic importance of the Maputo port for citrus exports and to outline the potential impact volume growth will have on the Durban port. Some of the main constraints of Maputo were discussed, the main issue was perceived to be that of cost as Durban offered a more cost competitive alternative and all citrus markets are accessible from Durban.
2. Some of the participating exporters at the workshop agreed to share the cost profile of Maputo and Durban ports for Europe markets. From this data the CGA formulated a cost database that reflected the cost structure for the northern production regions exporting from either Durban or Maputo ports via the conventional and containerized modes. From this data is became clear that a cost advantage was offered by the containerized mode from the Durban port, in most cases the landside cost on container exports were considerably higher than that of break-bulk, containerized shipping offers a reduced cost based on the BAF (Bunker adjustment factor) calculation per pallet thus offering a competitive overall cost structure compared to break-bulk exports. It was also evident that the surcharge of $12.00 per pallet for shipping citrus on reefer ships to Europe and Mediterranean was a major impeding factor to the Maputo cost structure. Further it was also apparent that the terminal handling charge for Maputo was considerably higher than the same service at facilities in Durban when fruit is loaded directly into containers and not sent with additional transport to the citrus terminal for loading on reefer ships from Durban.
3. Letters were drafted by the CGA which were sent to the MD's of NYKCool and Anlin Shipping (Agents for Seatrade Groningen) as well as the CEO of Capespan Logistics who own and operate the FPT and MPT terminals. In these letters the strategic value of Maputo was highlighted given the fact that these companies were loosing market share as a result of the high growth in containerized exports which were being loaded at cold storage facilities other than citrus terminals. It was emphasized that the cost structure of Maputo port was an impeding factor in attracting higher volume of citrus exports, the value of Maputo to these entities may have been overlooked given the fact that all citrus exported from Maputo was done by Specialized Reefer ships from the MPT terminal whereas only 40% of citrus exported from Durban was loaded this way. Follow up talks were held with these companies who then agreed that the cost structure of Maputo required revaluation by means of a rebate structure on volume targets. Follow up discussions were held and it was conveyed that proposals were sent to the respective head offices in Antwerp who had the authority to agree to the rebate system, at this time no additional feedback has been given.

4. 6th August 2009 CGA attended the 5th Annual MCLI AGM held within the Maputo port; attendance granted the opportunity to better understand the Maputo port offerings and the potential benefits for citrus exports.
5. On the 7th August 2009 CGA held talks with the acting CEO of MPDC (Maputo Port Development Company) in order to ascertain the position of the lease agreement held between MPDC and MPT (Capespan Pty Ltd). The existing MPT lease is due to expire in November of 2009 which if not renewed could foresee the closure of citrus operations from Maputo. It was noted that the lease is due to be extended on a short term basis subject to conditions not outlined to the CGA, further developments within the Maputo port will be planned together with FPT and port authorities. In terms of the lease agreement a condition that 90,000 pallets would be shipped annually failing which penalties would incur on the shortfall. In meetings with shipping lines it was mentioned that comparatively Maputo port costs were higher than that of the Durban port and that the $12.00 surcharge incorporated this fact, it was conveyed by the acting CEO that to his knowledge both ports had comparable rate structures and that in most cases Maputo rates are more favourable.
6. The CGA formulated a weekly report that is circulated to all Maputo citrus export stakeholders; the format of this report summarizes the weekly throughput per market against a season volume plan and the weekly stock positions per market relative to upcoming shipping schedules. This report afforded confidence for producers to send cargo to Maputo targeting specific vessels with the knowledge that fruit would be exported within a certain time frame.
7. On the 30th of August 2009, CGA became a member of the MCLI.
8. At this time volume of citrus exports from Maputo is estimated to reach an approximate 60,000 pallets for the season compared to the 100,000 pallets planned. The reduced volume can be associated to a downturn in citrus exports to both Europe and Mediterranean markets; this has reduced the likely volume of exports from Maputo to these markets. A significant growth in volume has been seen to Middle East and Russia during the current season, volume of containers sent to Middle East has grown significantly and the fact that no service is offered from Maputo has declined the outlook from Maputo. Russia volume offers huge potential for Maputo and the outlook for the current season did not materialize due to the factors mentioned, a solution must be reached for the coming season.
9. The CGA annual AGM was held on 18th August 2009, indications were received from regional Directors that producers are responding to the strategic value of Maputo for citrus exports. Maputo constraints must be overcome to ensure full support is received for the coming season, the format of the weekly Maputo reports have gained producer confidence in the reliability of services from Maputo.
10. Succeeding processes will hopefully include the involvement of the MCLI in overcoming the identified Maputo port constraints ahead of the 2010 citrus season.

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