

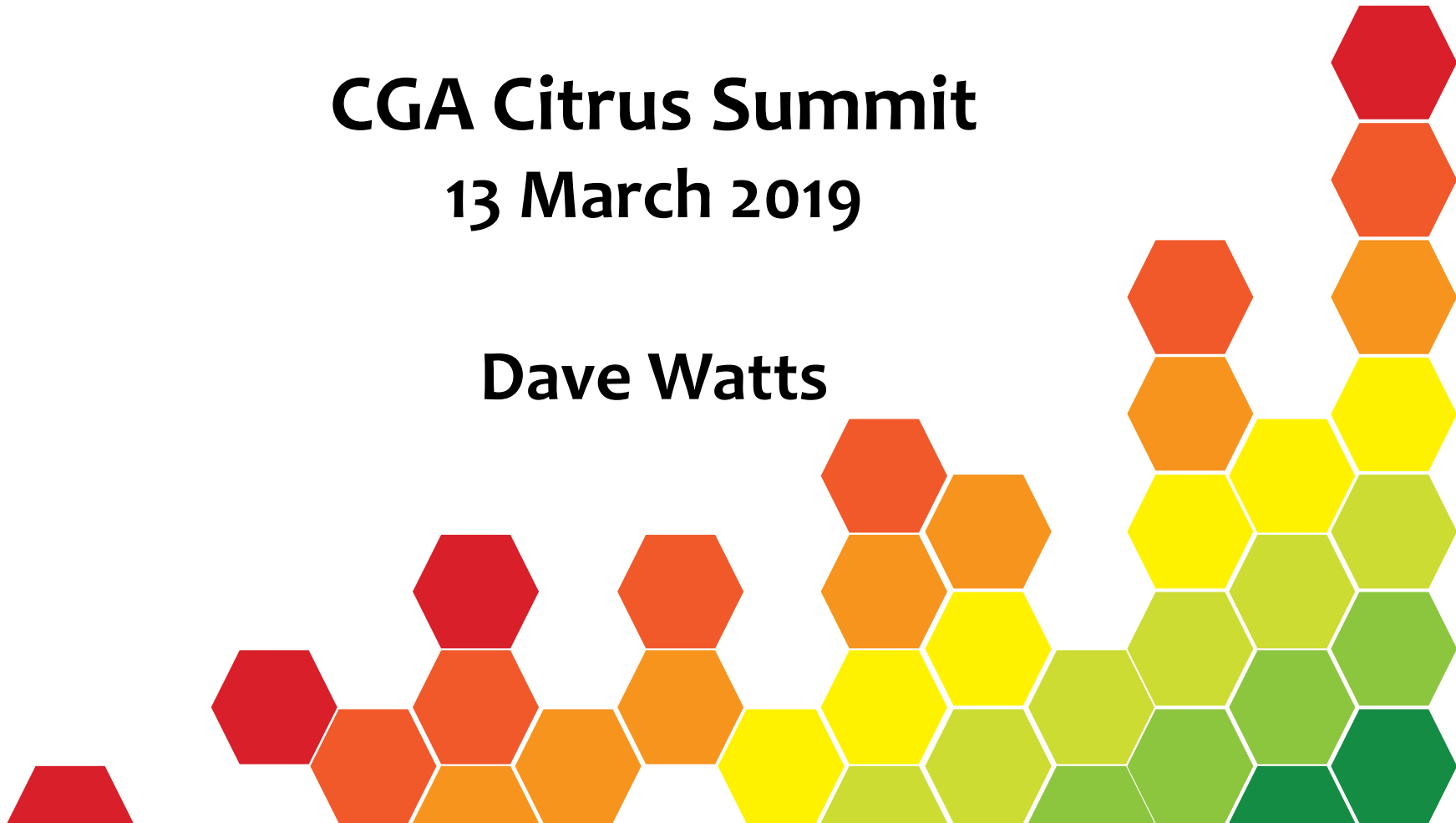
The 6-Point Logistics Plan

CGA's 6 Point Plan To Address Current And Future Logistics Challenges Facing The Citrus Export Industry

CGA Citrus Summit

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Background

- Industry forecasts that citrus exports are likely to grow by between 15% and 20% during the next three years.
- Current logistics shortcomings across all landside operations will only intensify as volume increases impact on current major logistics challenges facing our industry.
- The industry, working as a collective with all its logistics suppliers, packhouses, cold stores, truckers, rail operators, ports and state organs must develop new strategies if serious repercussions on export volumes and quality are to be avoided in future seasons.
- The CGA board and industry stakeholders collectively supported the CGA's 6-Point Logistics Plan 2022.



Issues Addressed in 6-Point Plan

1. Cold storage capacity
2. Rail / road transportation demands
3. Port operations and congestion in Durban
4. DAFF preclearance inspections
5. Potential use of Maputo port
6. Cold treatment container exports
7. Increased demand for reefer container equipment
8. Potential increased use of conventional break bulk reefer vessels

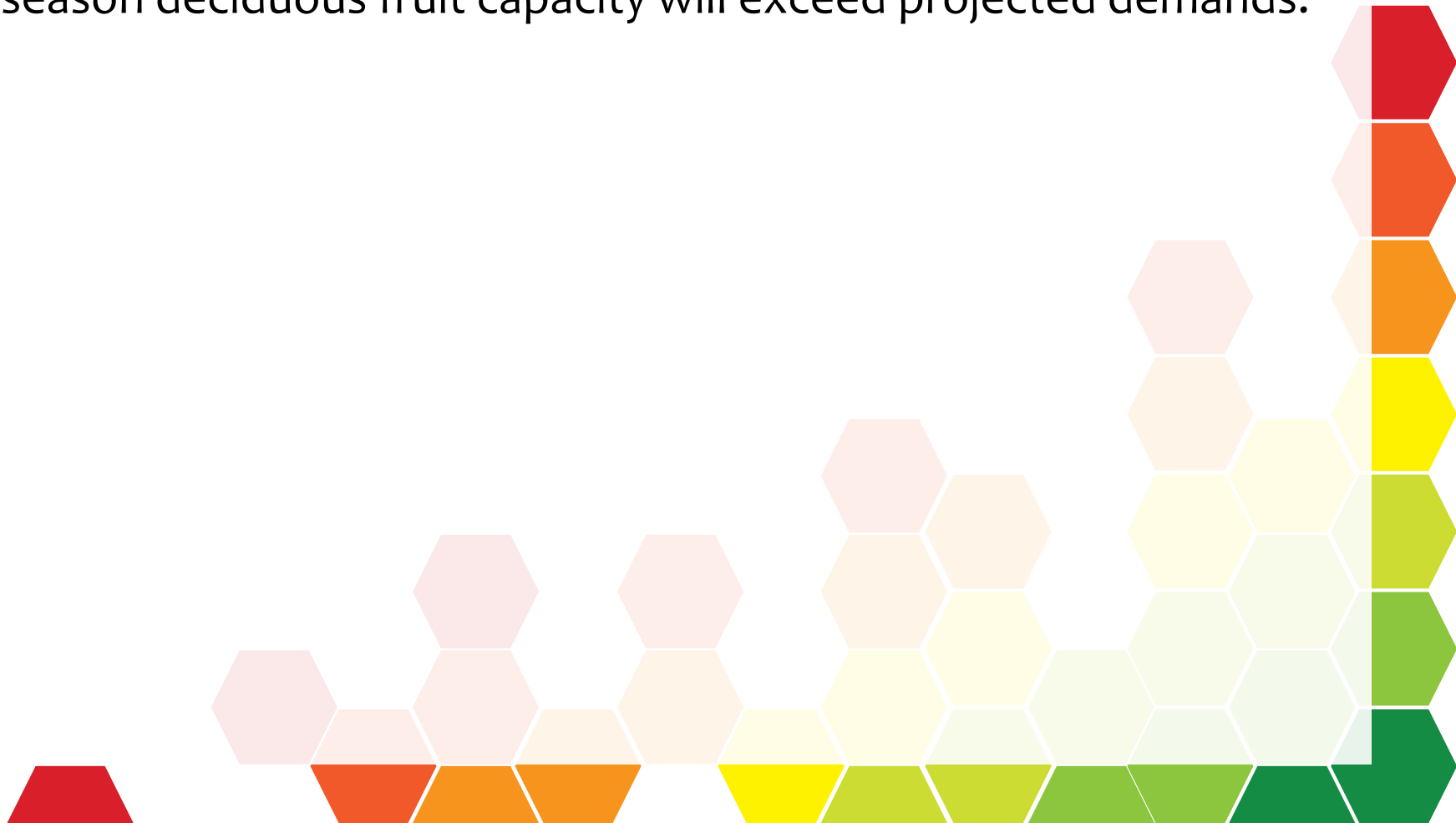


Challenge: Cold Store Capacity

- Demand for cold storage capacity will increase in line with growth projections.
- Demand for cold storage infrastructure in Durban is likely increase by 20,000 pallets in addition to current capacity. Cold treatment capacity could increase by as much as 14,000 pallet spaces due to increasing exports to those countries requiring cold treatment shipments.
- Current estimates indicate that only an additional 12,000 pallet capacity will be added in Durban by 2020, leaving a deficit of roughly 8,000 pallet capacity.
- The Eastern Cape region could see a demand for an additional 10,000 pallets capacity by 2022. Cold storage expansion at Addo Cold Store and PE Cold storage at Coega has been completed and now aligns with this growth projection.

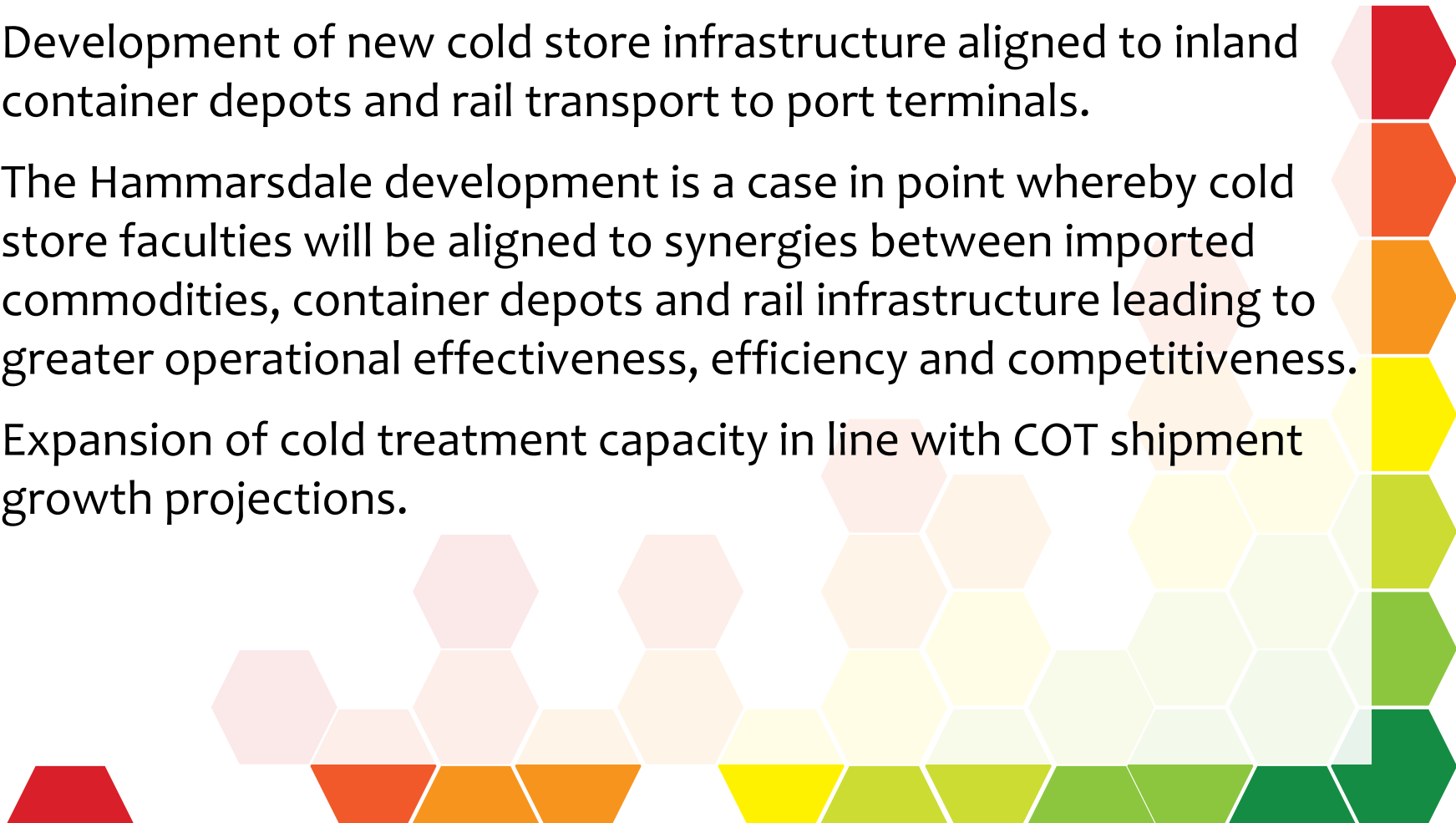
Challenge: Cold Store Capacity

- Western Cape region capacity demand is likely to increase by 6,000 pallet spaces. However it is not foreseen that there will be capacity challenges during citrus season as supply of out of season deciduous fruit capacity will exceed projected demands.



1. CGA's Plan: Cold Storage Capacity

- Development and expansion of cold storage infrastructure in line with the 2022 growth projections.
- Expansion at existing facilities as far as is possible.
- Development of new cold store infrastructure aligned to inland container depots and rail transport to port terminals.
- The Hammarsdale development is a case in point whereby cold store facilities will be aligned to synergies between imported commodities, container depots and rail infrastructure leading to greater operational effectiveness, efficiency and competitiveness.
- Expansion of cold treatment capacity in line with COT shipment growth projections.



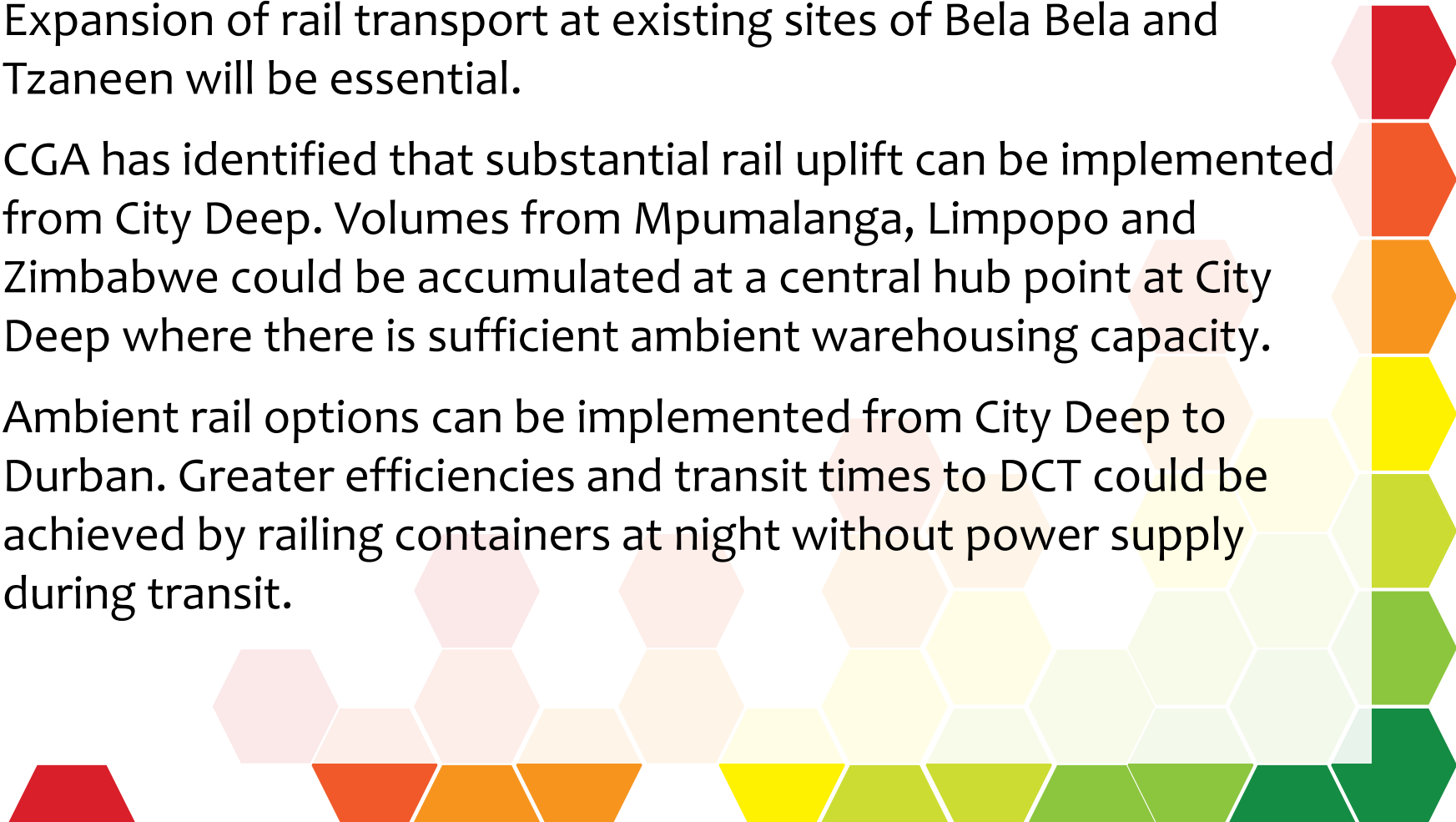
Challenge: Rail / Road Transportation

- An additional 8,000 trucks trips will be required in the northern production regions by 2022 to transport citrus to the Durban port.
- Growth in soft citrus production is expected to double by 2022, this will likely translate to a doubling in demand for transportation across all regions.
- Due to the forecast growth in soft citrus production, demand for refrigerated trucks will outstrip supply.
- Truck delays and congestion in the Durban port will increase.



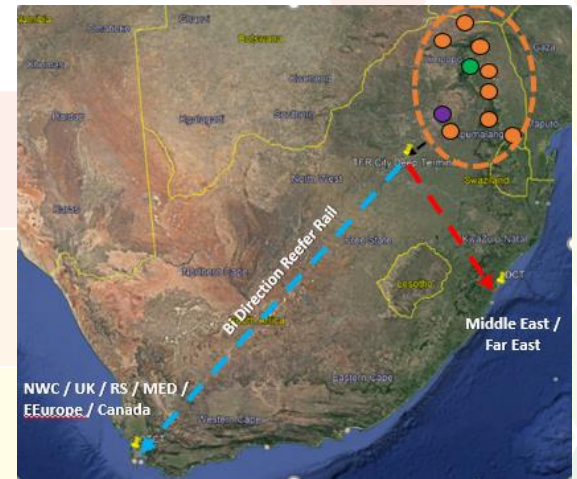
2. CGA's Plan: Rail / Road Transportation

- Due to the expected demand for 8,000 additional truck trips from the northern region, 10,000 FEU containers will need to be transported by rail to offset the demand.
- Expansion of rail transport at existing sites of Bela Bela and Tzaneen will be essential.
- CGA has identified that substantial rail uplift can be implemented from City Deep. Volumes from Mpumalanga, Limpopo and Zimbabwe could be accumulated at a central hub point at City Deep where there is sufficient ambient warehousing capacity.
- Ambient rail options can be implemented from City Deep to Durban. Greater efficiencies and transit times to DCT could be achieved by railing containers at night without power supply during transit.



2. CGA's Plan: Rail / Road Transportation

- Approximately 300,000 pallets of citrus could potentially be railed from City Deep to markets that do not require pre-cooling as regulated by PPECB.
- The Gautrain Cool Rail project aims at railing [citrus] fruit to Cape Town with back loading of reefer compatible cargo back to Gauteng. This project is seen to be a major catalyst in mass rail transport volumes. CTCT is very compatible with transfer of reefer cargoes aligned to the project. Transnet and shipping lines are strongly urged to pursue this project to implementation.
- ***The uptake of rail transport development in the citrus industry is not progressing and this needs to be attended to by Transnet as a matter of urgency.***

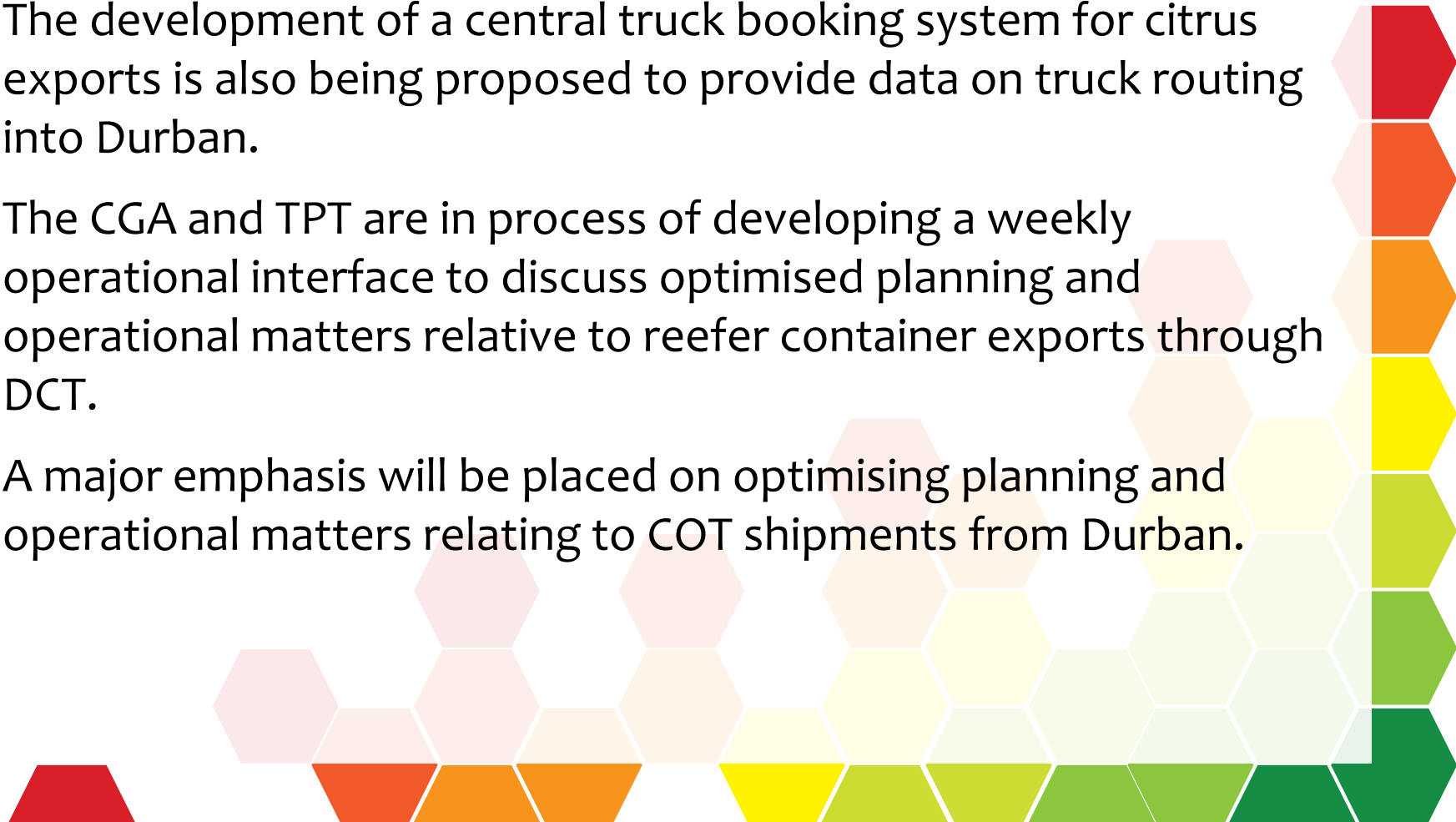


Challenge: Port Operations and Congestion

- Landside congestion in the port of Durban has become a major challenge for citrus exports in recent years, this has been exacerbated by the growth in exports from 724,000 pallets in 2016, to 925,000 in 2017 and 1,034,000 in 2018.
- Lengthy truck delays way in excess of acceptable norms at both Pier 1 and Pier 2 are a regular occurrence due to a variety of issues ranging from poor planning, to weather interruptions and labour issues.
- The 2022 projection shows 1,250,000 pallets an increase of 20% or 216,000 pallets.
- Due to the increase in truck deliveries to cold storage facilities in Durban, major congestion occurs during peak season and this causes serious constraints and operational problems at cold stores in Durban with consequent reduction in cold store capacity. Truck delays of up to 3 days are not uncommon.

3. CGA's Plan: Port Operations

- The CGA is proposing the development of a centralised and common user truck staging facility in the Durban precinct to optimise the flow of trucks routed into the Durban port.
- The development of a central truck booking system for citrus exports is also being proposed to provide data on truck routing into Durban.
- The CGA and TPT are in process of developing a weekly operational interface to discuss optimised planning and operational matters relative to reefer container exports through DCT.
- A major emphasis will be placed on optimising planning and operational matters relating to COT shipments from Durban.



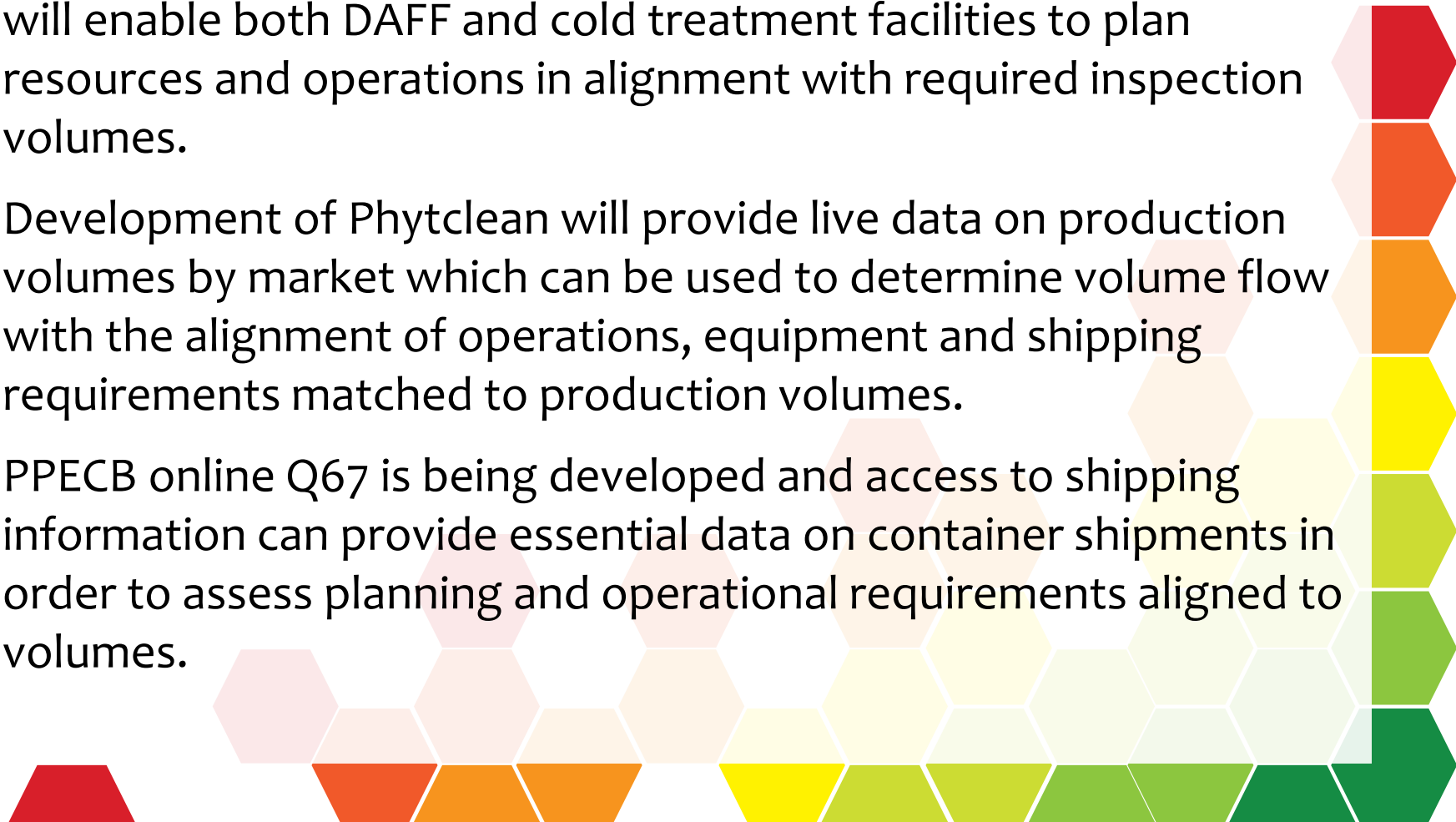
Challenge: DAFF Preclearance Inspections

- There is a increasing demand for DAFF preclearance inspections.
- Due to the growth in shipments to special markets, demand for DAFF preclearance inspections has increased to a point where a massive backlog in consignment inspections has occurred.
- DAFF are under resourced as well as overtime allocations have been reduced significantly adding further to the problems.



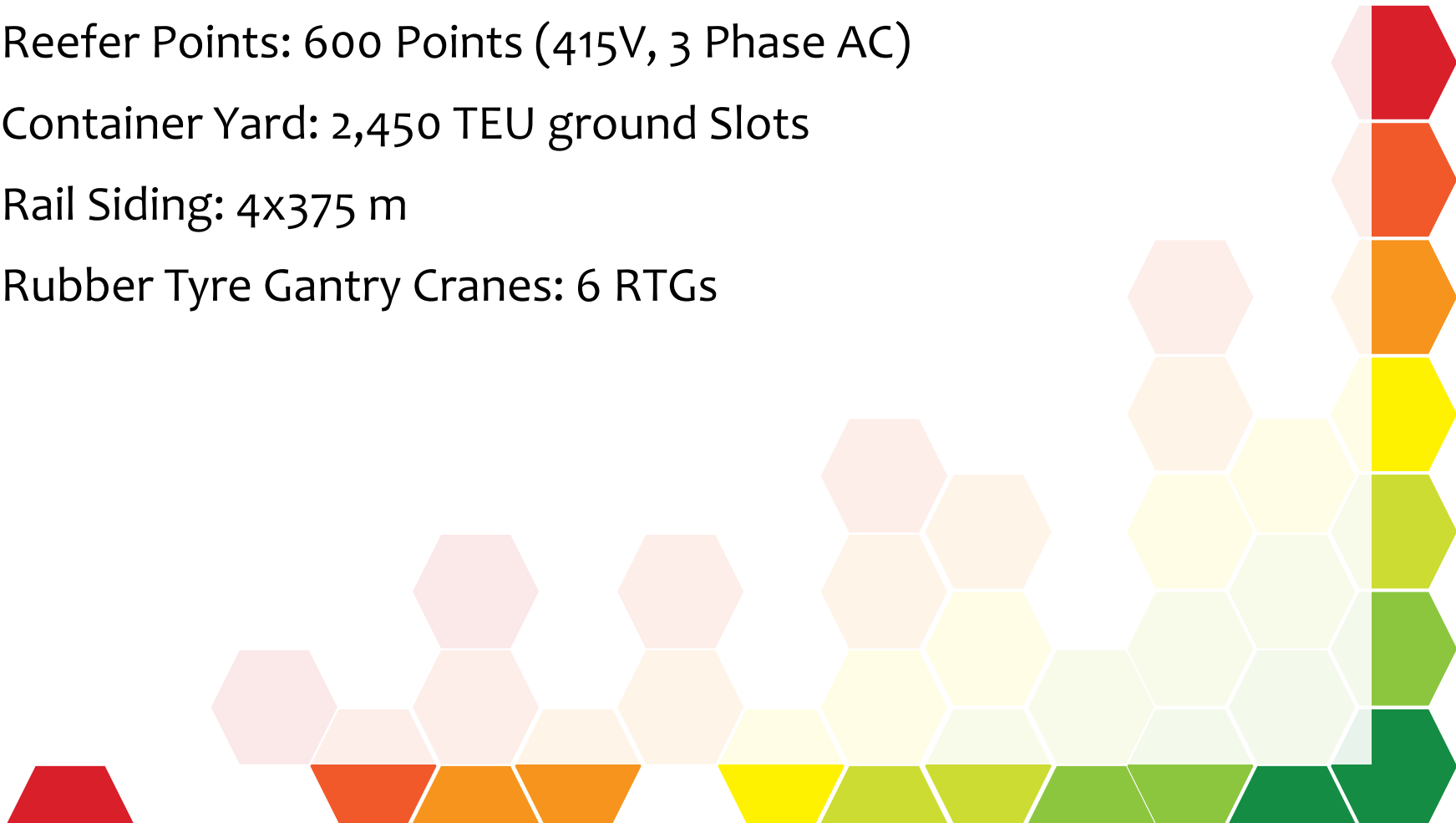
4. CGA's Plan: DAFF Inspections

- The development of IT platforms and information.
- CGA has proposed to DAFF that the forecasting of preclearance inspections become mandatory, this will provide live data which will enable both DAFF and cold treatment facilities to plan resources and operations in alignment with required inspection volumes.
- Development of Phytclean will provide live data on production volumes by market which can be used to determine volume flow with the alignment of operations, equipment and shipping requirements matched to production volumes.
- PPECB online Q67 is being developed and access to shipping information can provide essential data on container shipments in order to assess planning and operational requirements aligned to volumes.



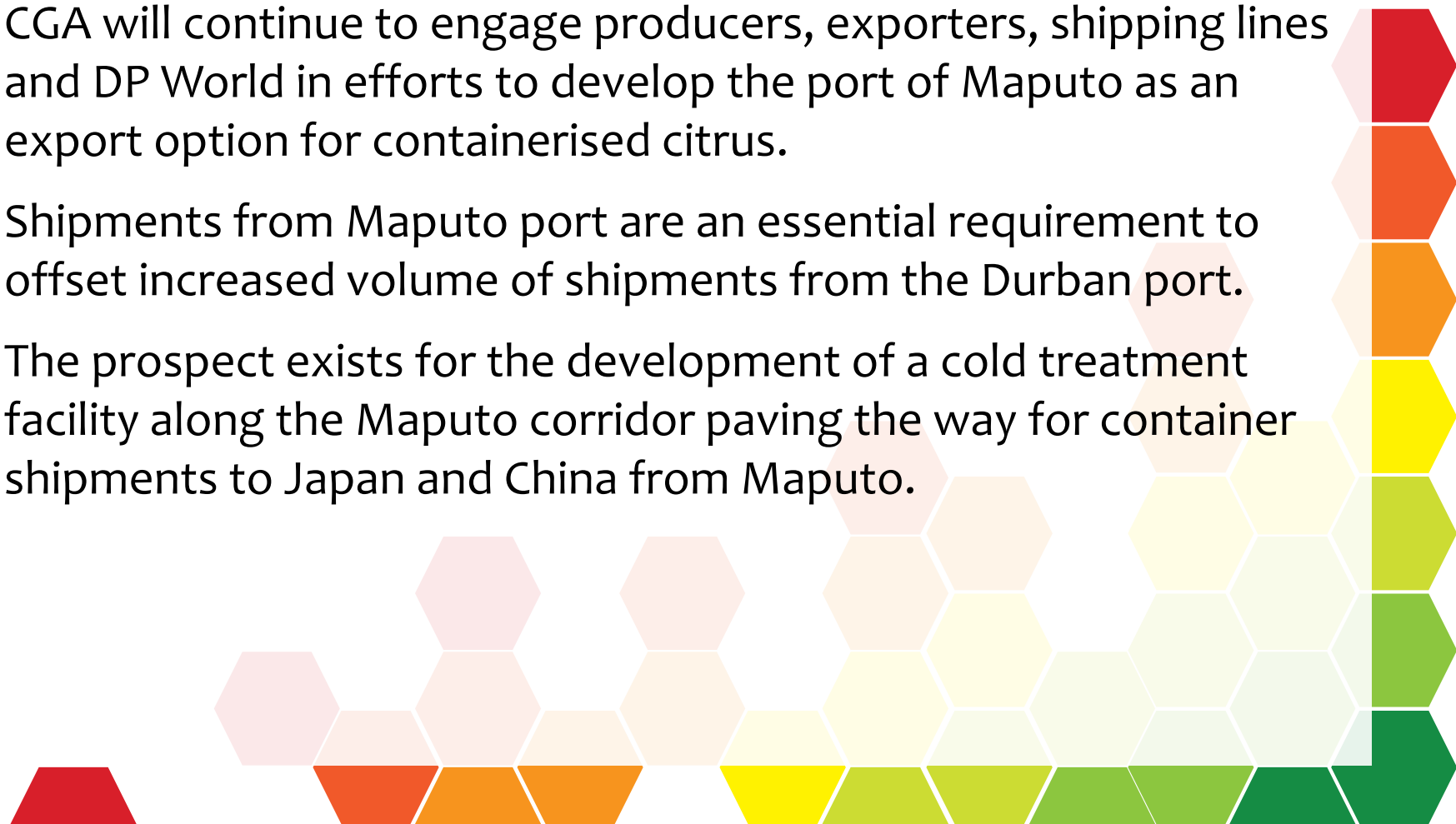
Challenge: Exports through Maputo Port

- DP World Maputo has the concession to manage, develop and operate the Maputo container terminal
- Capacity: 350.000 TEUS Per Annum
- Reefer Points: 600 Points (415V, 3 Phase AC)
- Container Yard: 2,450 TEU ground Slots
- Rail Siding: 4x375 m
- Rubber Tyre Gantry Cranes: 6 RTGs



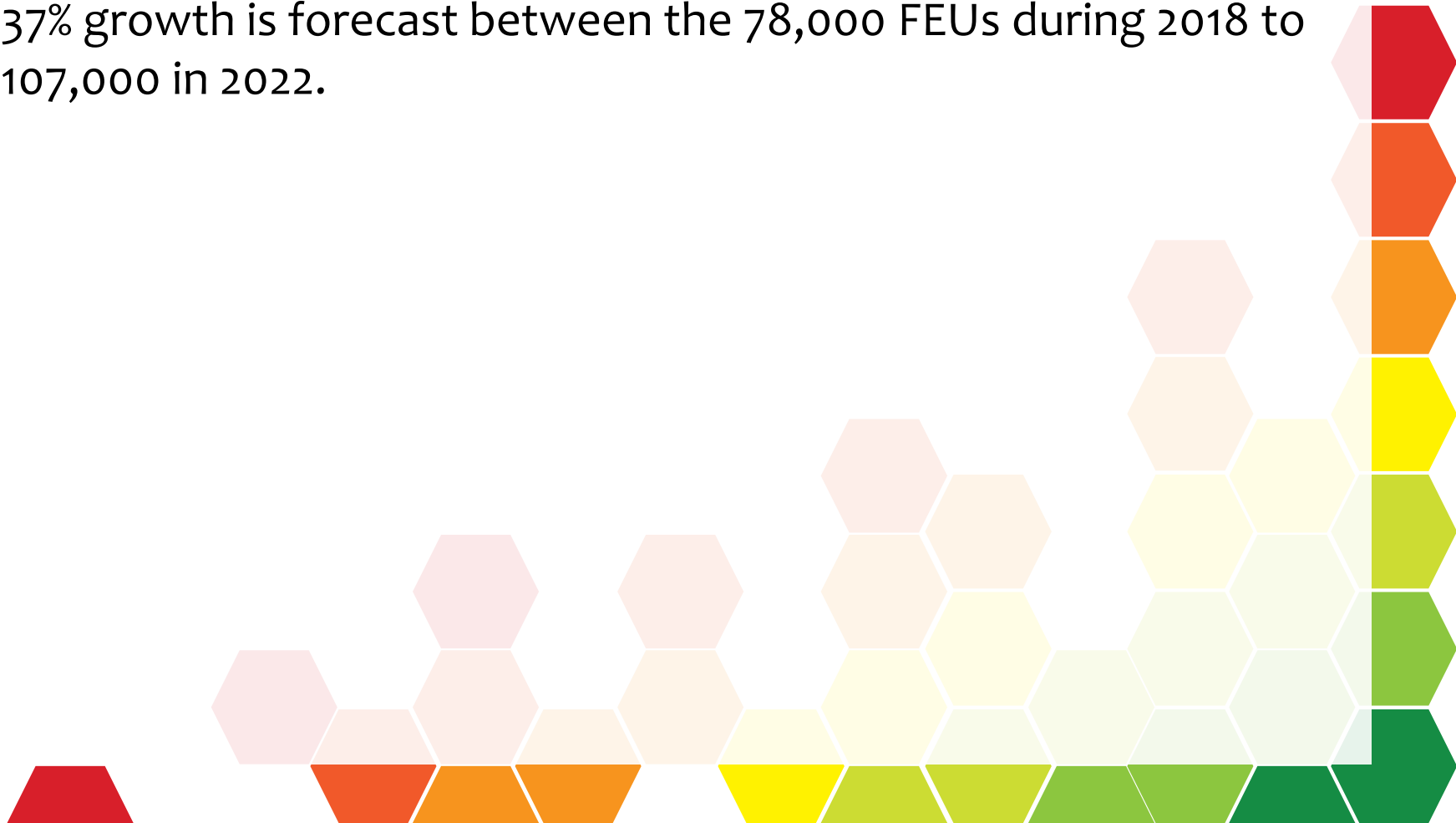
5. CGA's Plan: Maputo Port

- CGA has achieved cooperation from major container lines to service Maputo with direct shipping opportunities to Middle East and Far East.
- CGA will continue to engage producers, exporters, shipping lines and DP World in efforts to develop the port of Maputo as an export option for containerised citrus.
- Shipments from Maputo port are an essential requirement to offset increased volume of shipments from the Durban port.
- The prospect exists for the development of a cold treatment facility along the Maputo corridor paving the way for container shipments to Japan and China from Maputo.



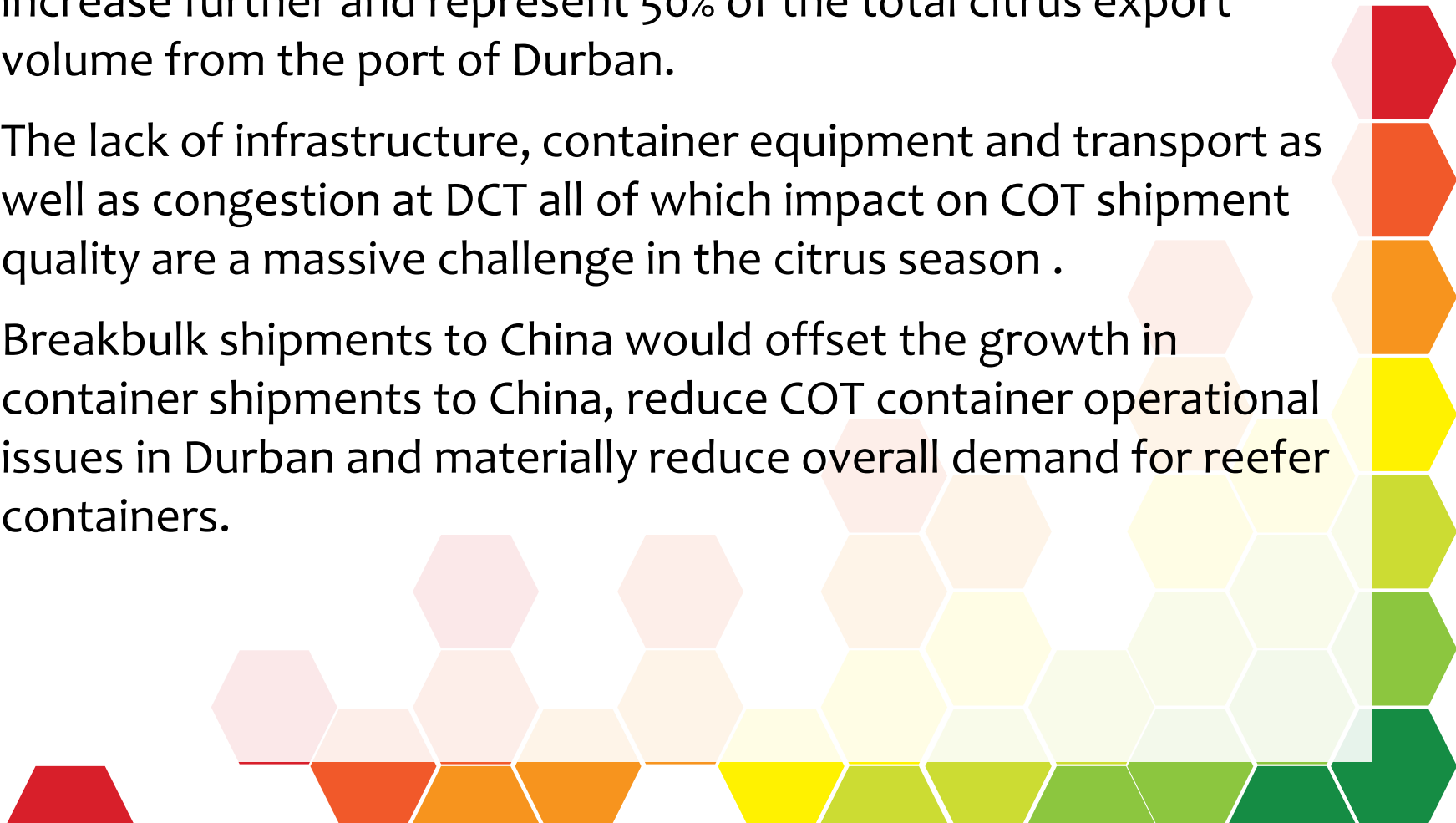
Challenge: Shortage of Reefer Containers

- The demand for reefer equipment is likely to exceed the ability for container lines to supply in accordance to the growth projections.
- 37% growth is forecast between the 78,000 FEUs during 2018 to 107,000 in 2022.



6. CGA's Plan: Conventional Breakbulk Shipments to China

- The additional demand for cold treatment container shipments mainly to the Far East has increased exponentially and is likely to increase further and represent 50% of the total citrus export volume from the port of Durban.
- The lack of infrastructure, container equipment and transport as well as congestion at DCT all of which impact on COT shipment quality are a massive challenge in the citrus season .
- Breakbulk shipments to China would offset the growth in container shipments to China, reduce COT container operational issues in Durban and materially reduce overall demand for reefer containers.



6. CGA's Plan: Conventional Breakbulk Shipments to China

- Breakbulk shipments to China could be consolidated and co-loaded with shipments to Japan. This would potentially have both operational and cost benefits for shipments to China and Japan and further reduce demand for reefer containers.
- The Chinese authorities have cleared shipments to China in breakbulk vessels in conjunction with containerised shipments.



Closing

The CGA calls on stakeholders to give due consideration to supporting and aligning to the CGA 6-Point Logistics Plan 2022

The CGA similarly calls on Transnet to align to the citrus export industry through development of a strategic based working group



Thank you

