FPEF SOUTH AFRICA FRESH PRODUCE EXPORTERS' FORUM

The Colosseum Building, Foyer 3
1st Floor, Century Way,
Century City, 7441, Cape Town
Private Bag X5, Century City
7446, Cape Town
Tel: +27 21 526 0474
Fax: 086 687 2198
www.fpef.co.za

Concerns and issues regarding COVID 19 - FPEF members (as at 31 March 2020)

The FPEF conducts a survey every two days amongst its members to determine the impact of the COVID19 situation on them. It includes aspects such as conditions in the receiving markets, constraints/challenges within South Africa, quantification of losses, proposed solutions (where applicable and possible) and general information.

The information is being shared with Government every Monday, Wednesday and Friday afternoon at 4pm.

The current situation (31 March), based on feedback from some members is:

Markets:

- Some countries are **cancelling orders while fruit are already on the ship** on its way to these countries. Worst case scenario would be to bring the containers back to South Africa or it can be diverted to other markets - both options however at a great cost.

- **Decrease in demand** from some markets, e.g. Spain, Portugal and Bangladesh have asked to cease all shipments until things clear up on their side as they are currently in their own form of lockdown and are having difficulty clearing containers from the port.

- **Port closures** for example Bangladesh, India, Malaysia, Indonesia, Nigeria and Senegal are of big concern.
    - The Bangladesh market has already crashed due to this and South African exporters are suffering financial losses.

    - India is not importing due to the lockdown of municipal markets
    - No shipments to Singapore, Malaysia, Indonesia, etc which are good markets for lemons. This is putting extra pressure on the Middle East market (which could lead to an oversupply and thus a market crash).

- As a result of the market situation in the United Kingdom, European Union, Middle East and Malaysia, **sales are extremely slow**, and will result in major losses on the SA side.

- Chinese clients who bought on fixed prices in the past, will accept fruit now only **on consignment**, due to slow movement in their market.

- Asia is operating mostly on the wholesale/wet market model where at least 80% of all fresh produce are sold on wholesale markets. There is a **high probability of municipal / "wet" markets in Asia and Africa closing,** which will lead to no fruit from South African being shipped there.

- **All air freight orders to Dubai and Saudi were cancelled** around 10 March, before the lockdown, due to slow sales and they did not want more product with shorter shelf life.

- Most Asian countries, and Russia, are developing countries and their **currency value** is depreciating against the dollar, impacting negatively on buying power.

<u>Documentation</u>:

- There is a delay in the turnaround time in the issuing of **PPECB and DALRRD certificates** as well as other export documentation due to the lockdown in South Africa.

- **SARS not processing EUR 1's** (certificates which proof the origin of products) the – importers in the European Union will have to pay full duties on discharge and only be able to claim later.

- Countries requiring **original documents** before clearing the cargo in the arrival ports. With the restriction on flights, the documents cannot be couriered via DHL.
    - Exporters are asking for a dispensation from receiving countries to be able to **clear on copies** - originals to be supplied after lockdown.
    - Another solution is complete **e-customs clearing** between countries, without the courier of hard-copy documents.

- Documentation regarding **Letters of Credit** can also not be couriered.

- One result of the documentation issue is that the ports in importing countries are **running out of storage space** for fresh produce – and that leads to quality loss and even cancellation of orders.

<u>**The functioning of South African Ports:**</u>

- Transnet has decided to **decrease capacity and equipment** – which has a serious impact on the export of perishable goods where time and temperature maintaining the cold chain are crucial. The limited operations will impact these two elements adversely.

- Container Terminals in all four ports used for the export of fresh produce (Durban, Port Elizabeth, Nqura and Cape Town) are all working on a single berth operation with only 30% to 50% of their staff working. The implications are:
    - This increases the possibility of **shipping lines bypassing SA ports** and withdrawal of their services.
    - Shipping lines may impose a **congestion surcharge**.
    - Limited operations by TPT is further impacted by the **Force Majeure** that has already been declared
    - Vessel delays and congestion are imminent and after a period of 21 days could result in **major berthing delays**.

- There are already constraints in the port of Port Elizabeth regarding loading of vessels and thus creating congestion and **forcing exporters to truck product to Cape Town at increased costs.**

- Exporters are starting to experience problems with getting **space on vessels** esspecially to Europe and Russia.

- There is shortage **of equipment** (empty refrigerated containers) from shipping lines, which is proving challenging

Although fruit exports are an essential service, the limitation of vessel calls to ports due to limited operation from Transnet, will significantly impact the logistics flow and exports to all markets.

<u>General concerns:</u>

- **Cash flow is** a major worry; not only to pay service providers, but to pay the growers in time so that they can pay their labours as well.

- **Labour on farms and in packhouses:** While this is still in order, it could easily face massive disruptions due to the infection rate.