

*Hannes de Waal – Sundays River Producer Forum*

## **Shipping costs far outstrip production costs on Eastern Cape citrus farms**



The Sundays River Valley lost over two weeks of harvesting and packing, but since last Monday workers have been catching up on lemons, Novas, some clementines and the first navels from the Eastern Cape.

Intimidation kept citrus workers away and two people were killed, one during an attack on a farm at the start of the strike and the other during a protest.

Hannes de Waal, CEO of the Sundays River Valley Citrus Company (SRCC) and chairperson of the Citrus Growers Association, says that workers are telling them they're relieved to be back at work and were never asked whether they supported the illegal strike. The Sundays River Valley Producer Forum remains in talks with the South African National Civic Organisation – not to continue salary negotiations, on that point they are clear.

“SANCO is not a workers’ committee but they are in the community. We can’t not engage with them,” Hannes says. “We have a very good team and we will keep communicating. There’s always a way of asking ‘how can we help?’ to make everyone part of the solution. That has always been our approach.”

He points to their improved relationship with the municipality since the 2018 strike following intentional efforts at government and community engagement. During the recent strike the Sundays River Valley Municipality mayor was very constructive and supportive of the role played by the citrus industry, the region’s major employer, Hannes notes. “The citrus industry has had tremendous growth in this area, with further growth to come. There are still ample employment opportunities.”



*Young citrus orchard in Kirkwood*

### **No more susceptible to labour action than elsewhere in SA**

“We acknowledge that South Africa has profound socio-economic problems and we’re the only large industry here, so we’re the obvious target. There are no guarantees. Our potential for labour strikes is as high as anywhere in the country and when it happens, we deal with it. What we will not do, is to give in with the

proverbial gun to our head because the damage [now estimated at as much as 16.5 million euros] is completely unacceptable, just as it was unacceptable in KwaZulu-Natal last year.” He continues: “There simply is no margin to further increase salaries - which are generally well above the prescribed minimum wage. Most who are working here, receive far above minimum wage.”

Grievances regarding the employment of foreign workers (mostly from Zimbabwe and Lesotho) seem to have waned in importance in the talks, he remarks, but the Sundays River Producers Forum strongly urges members to give preference to local labour when filling positions.

Despite recent events – and Hannes says they have no reason to believe that farm and packhouse workers will be implicated in the police investigation into the cases of arson and destruction of property – they remain totally committed to their community work in the Valley.

“We have a track record of helping the community and we will continue with that.”



### **Price of shipping 2.5 times higher than production costs**

Meanwhile, every sales week they were losing was costing them, he estimates, R100 million (5.9 million euros) while the cost of logistics is eclipsing the cost of actual farming at the moment.

“Shipping costs are taking us out. Shipping costs are two and a half times our production cost at the moment. There’s a very big problem in this industry with shipping costs. The second big problem is input costs: fertilisers and so forth have jumped through the roof.”

Last year they trucked 12% to 15% of their fruit to the port of Durban, where usually it would’ve been less than 3%. This year, given the current shipping rotation, the expectation is that they’ll be forced to put 10% to 15% of their crop on the road to KwaZulu-Natal again.

“We hope that it’ll change over time. It’s simply not cost effective especially for the big producers.” If they were to increase their cost structure through a higher wage bill, they could well be hastening the demise of their business, Hannes observes. “My forecast is that between 40% and 60% of South African citrus producers cannot break even under current conditions. That’s my estimate, and the reason for that is shipping costs.”

He adds that, except for the United States, he’s not seeing that fresh produce is reaping the benefit of price inflation in the way that the prices of, for instance, consumer electronic goods have been following an inflationary curve.

For more information:

Hannes de Waal

**Sundays River Citrus Producers Forum**

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