*FROM THE DESK OF THE CEO (18/22)*
**(Follow me on Twitter justchad_cga)**
*Justin Chadwick 6 May 2022*

***"Wall Street is always too biased toward short-term profitability and biased against long-term growth." Peter Thiel***

## IN FOR THE LONG TERM

As previously reported the talk of Fruit Logistica in Berlin in April was the unprecedented shipping rates that were on offer for 2022. There were a lot of complaints about the arrogance shown by shipping line management – a take it or leave it approach – and charging what they can because they can, and not because they should. The reason they can is because of the shortage in containers – with congestion at many ports around the world, and most noticeably in the USA and China, containers are standing still for longer than they are travelling – some say only a third of containers are in rotation – others say 50%. Whatever the correct figure – when the congestion eases more containers will be in circulation and supply constraints will be eased. In addition, reports indicate many new ships and containers are being built.

I would imagine most top management at the shipping lines are paid bonuses based on profit – the higher the profit the better the bonus. So if rates can be hoisted up to unprecedented levels, short term profits are made and large bonuses earned. But what happens when the congestion eases, and the new ships and containers come into the market? There will then be an oversupply, shipping lines will be trying to attract cargo. Freight rates could tumble and the profits could become losses. Meanwhile, the shipping line management have banked their bonuses and can move off to greener pastures. Apart from the cargo owners, who is most financially inconvenienced by this scenario? The owners of the shipping lines. Shipping line owners or representatives of shareholders need to take cognisance of this unfolding story – and think carefully about incentivising management to chase short term profits at the cost of long term sustainability.

This scenario does not only extend to shipping lines – throughout the chain those who invest in the assets do not necessarily manage the assets or set the prices and terms of engagement. In many cases, management of cold stores, transport, distribution warehouses and others in the supply chain are taking advantage of the logistics mayhem and hiking their rates – because they can. Here again, owners and shareholders of these assets need to watch carefully what management are doing. The one group that both own and manage their assets are the citrus growers – and they are in for the long haul.

This week a large shipping line released their amazing results – with great fanfare they boasted about their abnormal profits and how they have the "ability to help customers overcome logistic challenges" – the biggest logistics challenge is freight rates which is of their making!! Most fruit exporters will not survive at present freight rates – but those who are in for the long haul find ways to survive – and those ways will probably exclude those who are the cause of the problem.

## CGA STATISTICS BOOK


Portia Magwaza (CGA Research Economist) has completed the 2022 Industry Statistics book. This book will be available from Monday 9/5/22 on the CGA website – www.cga.co.za. Printed copies will be sent to CGA members as soon as printing is completed.

## PACKED AND SHIPPED

Unfortunately, both PPECB and AgriHUB have notified CGA that they cannot supply packed or shipped figures for the past week.

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