



30th June 2009

Minutes for the Freshfel/SHAFFE Citrus Teleconference of 25 June 2009

Introduction:

- A declaration was made by all participants that the discussion will by no means involve matters or topics which could influence market prices or volumes and that the exchange of data and information is strictly limited to matters which do not interfere with competition or anti-trust legislation.
- The minutes and data from the meeting will be made publicly available on the Freshfel and SHAFFE websites to ensure the transparency of the discussion also for non-members. This discussion is in line with the EU Commission (DG AGRI) policy on market transparency and information.
- Two presentations with detailed data were submitted to participants prior the teleconference to facilitate the discussion. The presentations included consolidated data for the Northern and Southern Hemisphere season developments as well as country specific information where provided.
- The teleconference reviewed first the market trends and then received input from supplier countries (Northern Hemisphere first and then Southern Hemisphere). The meeting should also tackle other matters of interest (market access to China, UN/ECE marketing standards, etc).
- Participants included trade representatives from UK, France, Germany, Spain, USA, Benelux, as well as suppliers from Peru, Argentina, Uruguay, South Africa, Australia, Spain, Turkey, Italy and USA. Input was also supplied from Egypt and Israel. CIRAD also participated.

Perspectives and analysis from the market side:

The international citrus market is going through a difficult period, as a result of several factors. Introductory remarks are as follows:

- The world economic situation is heavily affecting the fresh produce market and the citrus category is not excluded from this negative trend. The problem is therefore clearly on the demand side.
- Volume wise, the supply is stable compared to other years, but demand is stagnating leading to the building of stocks. The complex situation on the citrus market is reinforced by a difficult situation on the international apple market with stocks on 1st June of Northern hemisphere fruit being respectively up on last year by 47% in the EU and by 55% in USA.
- Prices for most of the citrus categories are under pressure on all markets, reinforced by strong competition from summer fruit produce, which are being sold at record low prices. European stone fruit production is significantly higher this year (+6% for peaches and nectarines and +12 % for apricots). Summer fruit are being sold at low prices (e.g. 2€/kg at retail level in France, 1.5 to 2 € less than last year).
- Currency fluctuations are also influencing market trends (e.g. weak Pound, Rouble, Zloty, etc.).
- While volumes at retail level are relatively stable but limited to programmes (limited additional spot purchase), some of the foodservice segment is under pressure given the crisis. Consumers tend to

consume more at home. The European School Fruit Scheme project (with a budget of 90 million €) could assist in stimulating the demand among the youngest.

Additional information on the market was provided by experts as follows:

- In Europe, the main trends are as follows:
 - The current economic crisis has meant that retailers are pushing prices in a downwards spiral, buying as cheaply as possible. Programmes are in most cases maintained but no additional volumes are taken by retail to avoid building stocks. Limited promotion programmes are being made to stimulate demand. No indications yet to when the supermarket will shift from NH to SH citrus to stimulate the demand with fresh produce.
 - Grapefruit is the most affected category with a difficult period leading to a decrease of sales by 60%. Large volumes of Spanish lemons remain available and should stay on the market until August. Small size NH navels and valencia oranges are experiencing low prices (30-40 cents/kg). Early SH navels started with better prices. Soft citrus was the only category with positive development, providing better returns to growers. Ellendale sales have been matching supply and demand well. For the other citrus categories, returns to growers are often below the costs of production. The summer fruit competition (from strawberries and stone-fruit) is strong. There is limited expectation of market improvement in the coming months on the European market.
 - Consumers are changing attitudes, requesting value packs, being more price-conscious and trying to reduce wastage.

- In USA, the main trends are as follows:
 - The production in the USA is ending up with California navels being completed on 10 July and Florida valencia finished by 6 July. California valencia are due to remain on the market until September. Lemons from the first crop are almost gone while 40% of the second crop remains to be harvested.
 - The market is therefore progressively moving to Southern Hemisphere supply. The imported volume remains moderate, therefore offering at the moment decent prices. Chile is selling navel oranges for the first time on the US market. Clementine imports were satisfactory.
 - However the market remains unsettled, given the relatively weak consumer demand except for clementines.
 - Despite the lower movement of fruit, competition with local summer fruit and the move to SH citrus, there are however concerns that the market will collapse by August given oversupply.
 - In regard to the next season, California navel volumes should be equal to last year, while California valencias should be lower. Easy peelers are likely to enjoy a larger crop and Florida citrus production should generally be on the increase.

Perspective from the supply side:

- From the Northern Hemisphere: The charts below provide a summary of production and export from the Mediterranean zone for the current season compared to the last season. While total citrus production was up by 1%, total exported volume should end with a increase of 8% compared to the previous season. The details by category are as below:

	Production 2007/2008	Production 2008/2009	Variation 2007/2008	Export 2007/2008	Export up to 1/6/09	Var 07-08/08-09
ORANGES						
SPAIN	2.705.000	3.450.000	28%	1.275.600	1.375.000	8%
CYPRUS	29.200	23.360	-20%	18.000	14.000	-22%
ITALY	2.293.500	1.500.000	-35%	124.000	68.000	-45%
GREECE	930.500	802.000	-14%	229.800	217.000	-6%
MOROCCO	732.400	790.000	8%	295.700	200.000	-32%
TURKEY	1.173.000	1.173.000	0%	147.900	249.500	69%
EGYPT	1.800.000	1.620.000	-10%	762.300	762.000	0%
ISRAEL	115.000	173.000	50%	30.000	40.000	33%
TOTAL MED BASIN	9.778.600	9.531.360	-3%	2.883.300	2.925.500	1%
USA	2.316.864	2.045.854	-12%			
TOTAL	12.095.464	11.577.214	-4%			
SOFT CITRUS						
SPAIN	2.040.000	2.230.000	9%	1.417.200	1.485.000	5%
CYPRUS	61.300	49.040	-20%	28.200	23.000	-18%
ITALY	702.700	527.000	-25%	73.000	63.000	-14%
GREECE	64.910	58.500	-10%	26.550	15.000	-44%
MOROCCO	471.600	531.000	13%	272.200	295.000	8%
TURKEY	495.000	600.000	21%	221.800	381.700	72%
EGYPT	660.000	594.000	-10%	7.400	7	-100%
ISRAEL	133.000	130.000	-2%	50.000	49.000	-2%
TOTAL MED BASIN	4.628.510	4.719.540	2%	2.096.350	2.311.707	10%
USA	431.820	450.000	4%			
TOTAL	5.060.330	5.169.540	2%			
LEMONS						
SPAIN	543.034	810.000	49%	305.400	423.000	39%
CYPRUS	17.500	14.000	-20%	5.600	5.000	-11%
ITALY	546.600	655.920	20%	49.500	60.000	21%
GREECE	46.500	30.500	-34%	1.730	1.000	-42%
MOROCCO (Other citrus)	35.000	39.000	11%	14.400	9.000	-38%
TURKEY	500.000	527.000	5%	223.900	324.600	45%
EGYPT	335.000	301.500	-10%	22.900	23.000	0%
ISRAEL	64.000	45.000	-30%	4.100	0	-100%
TOTAL MED BASIN	2.087.634	2.422.920	16%	627.530	845.600	35%
USA	639.090	742.730	16%			
TOTAL	2.726.724	3.165.650	16%			
GRAPEFUITS						
SPAIN	46.194	50.814	10%	38.100	33.000	-13%
CYPRUS	28.600	22.800	-20%	17.100	15.000	-12%
ITALY	0	0	0%	0	0	
GREECE	7.300	6.500	-11%	940	1.000	6%
MOROCCO	0	0	0%	0	0	
TURKEY	245.000	200.000	-18%	131.100	128.200	-2%
EGYPT	0	0	0%	1.200	1.000	-17%
ISRAEL	235.000	220.000	-6%	81.000	77.000	-5%
TOTAL MED BASIN	562.094	500.114	-11%	269.440	255.200	-5%
USA	1.423.140	1.249.319	-12%			
TOTAL	1.985.234	1.749.433	-12%			

- Spain: Overall concentration on the EU market for the various citrus categories. Lemon production was updated to 1 million T (70% fino and 30% verna). Total volume exported is similar to those realised during the 05/06 season and 06/07 season. There is however a large part of the verna lemon crop still to be collected and the verna lemons to be marketed amount to 90.000T. The grapefruit season was marked by small sizes reducing the export output by 10%. Orange production was large, in particular for navels, while smaller sizes impacted all varieties, with producers often not matching production costs. Orange juice stocks remain high as well. Valencia late potential exports will range from 100.000T to 150.000T, depending on the market.
- Italy: The Italian citrus season ended earlier than usual and the supply is now being dominated by SH fruit. Little promotional activities are currently being undertaken at retail level to stimulate consumption and the complex market situation is likely to continue over the next weeks. Low prices for lemons originating from Spain (0.40-0.50 cents/kg) remains a point of concern for domestic production.

- Turkey: The season is almost completed with some grapefruit and lemons (20.000T) still to be sold, mainly to markets such as Iran and Iraq. The exports season 08/09 experienced growth for most of the categories (except grapefruit which decreased by 1%), respectively of +69.7% for easy peelers to reach 372.000T, +71.6% for oranges to reach 251.000T, and +46% for lemons to reach 352.000T.
- Egypt: Completed its exports as initially scheduled with 800.000T exported (33% to Arab destinations, 20% to the UK, 25% to other EU destinations, 18% to Russia and 5% to Iran). Exports to Iran in particular are increasing. Prices have been under pressure and exporters accepted this and have been taking higher risks, reducing the down payments required on shipments to 30%.
- USA: See information above.
- From the Southern Hemisphere: the chart below indicates the volume exported up to week 24 by Southern Hemisphere countries. In total, volumes exported to all destinations are lower by 31%, with decreases respectively of 24% for oranges, of 3% for soft citrus, of 19% for grapefruit and of 55 % for lemons.

TOTAL CITRUS	Prod 2008	Prod 2009	% Var	Export 2008	Export to wk 24 (2008)	% Balance	Balance remaining	Export 2009	Export to wk 24 (2009)	% Balance	Balance remaining
Argentina	3.040.800	2.645.000	-13%	690.000	274.523	40%	415.477	506.000	132.182	26%	373.818
Australia	574.000	606.000	6%	138.909	11.024	8%	127.885	164.320	14.267	9%	150.053
Chile	357.000	364.000	2%	92.149	299	0%	91.850	107.500	775	1%	106.725
Peru	823.856	810.300	-2%	64.172	20.120	31%	44.052	51.000	12.257	24%	38.743
South Africa	2.252.941	2.312.955	3%	1.346.241	313.486	23%	1.032.755	1.376.415	256.875	19%	1.119.540
Uruguay	259.000	226.000	-13%	122.177	21.997	18%	100.180	114.300	23.418	20%	90.882
TOTAL SH	7.307.597	6.964.255	-5%	2.453.648	641.449	26%	1.812.198	2.319.535	439.774	19%	1.879.762

ORANGES	Prod 2008	Prod 2009	% Var	Export 2008	Export to wk 24 (2008)	% Balance	Balance remaining	Export 2009	Export to wk 24 (2009)	% Balance	Balance remaining
Argentina	942.000	660.000	-30%	155.000	16.911	11%	138.089	108.000	7.341	7%	100.659
Australia	419.000	450.000	7%	107.040	8.439	8%	98.602	130.000	10.594	8%	119.406
Chile	150.000	152.000	1%	28.349	0	0%	28.349	34.000	32	0%	33.968
Peru	372.601	389.600	5%	14.415	1.804	13%	12.611	3.100	442	14%	2.658
South Africa	1.326.473	1.322.525	0%	929.927	90.363	10%	839.564	927.159	69.822	8%	857.337
Uruguay	105.000	113.000	8%	69.124	2.870	4%	66.254	64.000	2.819	4%	61.181
TOTAL SH	3.315.074	3.087.125	-7%	1.303.855	120.386	9%	1.183.469	1.266.259	91.050	7%	1.175.209

SOFT CITRUS	Prod 2008	Prod 2009	% Var	Export 2008	Export to wk 24 (2008)	% Balance	Balance remaining	Export 2009	Export to wk 24 (2009)	% Balance	Balance remaining
Argentina	410.000	285.000	-30%	96.000	41.847	44%	54.153	75.000	46.506	62%	28.494
Australia	115.000	117.000	2%	30.704	2.249	7%	28.454	33.000	2.771	8%	30.229
Chile	28.000	30.000	7%	19.205	240	1%	18.965	26.000	691	3%	25.309
Peru	205.187	184.400	-10%	48.556	18.134	37%	30.422	46.400	11.670	25%	34.730
South Africa	380.000	375.218	-1%	98.192	54.530	56%	43.662	96.956	49.373	51%	47.583
Uruguay	130.000	75.000	-42%	38.277	18.147	47%	20.130	36.000	20.116	56%	15.884
TOTAL SH	1.268.187	1.066.618	-16%	330.934	135.148	41%	195.786	313.356	131.127	42%	182.230

LEMONS	Prod 2008	Prod 2009	% Var	Export 2008	Export to wk 24 (2008)	% Balance	Balance remaining	Export 2009	Export to wk 24 (2009)	% Balance	Balance remaining
Argentina	1.361.800	1.400.000	3%	406.000	193.775	48%	212.225	300.000	66.378	22%	233.622
Australia	31.000	30.000	-3%	917	324	35%	593	920	117	13%	803
Chile	170.000	172.000	1%	43.595	56	0%	43.539	45.000	48	0%	44.952
Peru	241.590	232.300	-4%	1.201	182	15%	1.019	1.500	144	10%	1.356
South Africa	185.915	178.805	-4%	131.722	67.713	51%	64.009	126.684	51.026	40%	75.658
Uruguay	20.000	34.000	70%	14.511	980	7%	13.531	14.000	483	3%	13.517
TOTAL SH	2.010.305	2.047.105	2%	597.946	263.030	44%	334.916	488.104	118.197	24%	369.908

GRAPEFRUIT	Prod 2008	Prod 2009	% Var	Export 2008	Export to wk 24 (2008)	% Balance	Balance remaining	Export 2009	Export to wk 24 (2009)	% Balance	Balance remaining
Argentina	327.000	300.000	-8%	33.000	21.990	67%	11.010	23.000	11.957	52%	11.043
Australia	9.000	9.000	0%	248	12	5%	236	400	785	196%	-385
Chile	9.000	10.000	11%	1.000	3	0%	997	2.500	4	0%	2.496
Peru	4.478	4.000	-11%	0	0	0%	0	0	0	0%	0
South Africa	360.553	436.407	21%	186.400	100.880	54%	85.520	225.615	86.654	38%	138.961
Uruguay	4.000	4.000	0%	265	0	0%	265	300	0	0%	300
TOTAL SH	714.031	763.407	7%	220.913	122.885	56%	98.028	251.815	99.400	39%	152.415

- Uruguay: In contrast with other suppliers, Uruguay has a more optimistic approach to the current situation. In a season initially marked by the impact of the global crisis, the exchange rate, the uncertainties following a poor 2008 season, the droughts in Uruguay and the large volume of NH fruit on the orange market, this was finally contrasted with better demand than expected, lower supply from other growing region giving space for satsumas, initial prices similar to 2008 and the peso devaluation improving the cost structure (freight, inputs, etc.). The satsuma market experienced good demand given the smaller supply of navel and the good market for nova. In regard to oranges, expectations are that the pressure will be high for small sizes from the Mediterranean countries and that rain will improve the size for valencias. The lemon market is under pressure given sizes and the on-going presence of verna from Spain. Uruguay will adjust its supply to the demand and will somehow delay the arrival of its fruit on the market.
- Australia: The preparation of the season was more optimistic given the decrease of the drought conditions in the citrus growing area, allowing the crop to be of better quality, although sizes remained smaller. In regard to export, it is too early to establish trends, but demand on Asian market is expected to be strong. The small sizes remain a challenge, especially for exports to the USA. Volumes to China were limited despite the implementation of a new protocol signed with AQSIQ. The revised quarantine conditions will allow citrus to be imported to all ports in China (previously access was limited to some northern ports) and the new cold disinfestation treatment will be of 2.1°C for 21 days for the fruit flies. These new arrangements will allow exports of mandarins to China.
- Argentina: The country is starting its export of oranges, with fewer navels, while valencia production will be average. Expectations are that only big size navels will be attractive on the market. In regard to mandarins, the development of the season was rather positive with diversified markets (Far East, Middle East, Canada and USA) and exports should amount to 100.000T. The export season for grapefruit was difficult and will cap at 20.000T. Lemon export started in March/April, and so far the switch from NH to SH has not yet occurred on the market. Argentina is diversifying its destinations, going more to Eastern Europe and not yet penetrating the Southern European markets such as France, Spain or Portugal. The demand for industry remains steady in Argentina and almost 900.000T will be processed, meaning a better balance on the fresh market. Regarding easy peelers, there are good expectations for the second part of the season with the ortanique, murcott and ellendale varieties.
- South Africa: The situation on the EU market is complex and dissuasive for exporters. Grapefruit predictions were reduced given the sizing problems. Exports were dominated by the EU market (65%) and Japan (22%). The juicing facilities are also full. Lemons have three picks per year, with the first being lower than average, and it is expected that the 2nd pick will be higher. Exports are seeking diversification outside the EU markets, looking at the Far East and the Middle East. In regard to oranges, navels will decrease by 1 million 15kg boxes, and are also seeking diversification of markets. In South Africa there is a great awareness of market problems and fruit will only be exported if expectations can be matched. There are limited possibilities for juice output as the juice plants are already running near full capacity.
- Peru: The satsuma season has been developing positively with less fruit but better sizes and improved quality. Novas and fortunatas were up by 10%, while satsumas were down by 40%. Mineola exports were mainly to the EU, with some volume also shipped to the USA. Clementine exports are on target confirming the overall good conditions.

General recommendations from the discussion:

- Markets are to remain volatile and close monitoring should be made. It is recommended to have a further exchange of information at the end of July.
- On a product basis, it is noted that the grapefruit market has been very disappointing, although there is a better outlook for soft citrus. The lemon market is overloaded with plenty still to come from the NH, and there are concerns for oranges in particular for the small sizes.
- Exporters should work closely with receivers and secure that the receivers have market opportunities before exports take place, to avoid overloading the spot market.
- Retailers should make more promotion activities to stimulate sales.

- Suppliers should provide quality produce and continue to look for market diversification.

Marketing standards:

Discussions are taking place at UN/ECE level on the citrus marketing standards. Aspects at stake include colouring, a minimum sugar/acid ratio and the labelling of post harvest treatment. Several delegations would be interested to exchange opinions on this matter and to possibly seek a common approach prior to the next meeting of the UN/ECE. The latest draft is enclosed for comments.

Next teleconference:

It was agreed that the next teleconference should take place towards the end of July to continue monitoring the market development.