



25th September 2009

Minutes for the Freshfel/SHAFFE Citrus Teleconference of 25 September 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.
- A presentation with detailed data was 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 forthcoming northern hemisphere production forecasts, followed by a review of the main markets for citrus fruit, and was completed by a review of the southern hemisphere producing countries.
- Participants included trade representatives from Russia, UK, Germany, Spain, Benelux, as well as suppliers from Italy, Cyprus, Israel, Morocco, Turkey, China, Argentina, South Africa and Australia. Input has also been received from the USA and Spain.

Northern Hemisphere Forecast:

The following charts provide a summary of the production forecasts for the northern hemisphere:

TOTAL CITRUS	Production 2007/2008	Production 2008/2009	Prod. Forecast 2009/2010	Variation (08/09)/(09/10)
<i>SPAIN</i>	5.334.228	6.743.011	5.400.746	-20%
<i>CYPRUS</i>	136.600	109.200	112.000	3%
<i>ITALY</i>	3.542.800	2.682.920	3.652.120	36%
<i>GREECE</i>	1.049.210	897.500	969.000	8%
<i>MOROCCO</i>	1.239.000	1.360.000	1.275.000	-6%
<i>TURKEY</i>	2.413.000	2.500.000	2.723.000	9%
<i>EGYPT</i>	2.795.000	2.515.500	2.645.000	5%
<i>ISRAEL</i>	547.000	568.000	560.000	-1%
TOTAL MED BASIN	17.056.838	17.376.131	17.336.866	-0,2%

ORANGES	Production 2007/2008	Production 2008/2009	Prod. Forecast 2009/2010	Variation (08/09)/(09/10)
<i>SPAIN</i>	2.705.000	3.462.571	2.528.273	-27%
<i>CYPRUS</i>	29.200	23.360	24.000	3%
<i>ITALY</i>	2.527.500	2.490.900	2.550.000	2%
<i>GREECE</i>	930.500	802.000	860.000	7%
<i>MOROCCO</i>	732.400	790.000	780.000	-1%
<i>TURKEY</i>	1.173.000	1.173.000	1.173.000	0%
<i>EGYPT</i>	1.800.000	1.620.000	1.700.000	5%
<i>ISRAEL</i>	115.000	173.000	140.000	-19%
TOTAL MED BASIN	10.012.600	10.534.831	9.755.273	-7,4%

EASY PEELERS	Production 2007/2008	Production 2008/2009	Prod. Forecast 2009/2010	Variation (08/09)/(09/10)
<i>SPAIN</i>	2.040.000	2.229.626	2.029.473	-9%
<i>CYPRUS</i>	61.300	49.040	50.000	2%
<i>ITALY</i>	702.700	527.000	702.700	33%
<i>GREECE</i>	64.910	58.500	62.000	6%
<i>MOROCCO</i>	471.600	531.000	460.000	-13%
<i>TURKEY</i>	495.000	600.000	550.000	-8%
<i>EGYPT</i>	660.000	594.000	625.000	5%
<i>ISRAEL</i>	133.000	130.000	150.000	15%
TOTAL MED BASIN	4.628.510	4.719.166	4.629.173	-2%

LEMONS	Production 2007/2008	Production 2008/2009	Prod. Forecast 2009/2010	Variation (08/09)/(09/10)
<i>SPAIN</i>	543.034	1.000.000	800.000	-20%
<i>CYPRUS</i>	17.500	14.000	15.000	7%
<i>ITALY</i>	546.600	655.920	655.920	0%
<i>GREECE</i>	46.500	30.500	40.000	31%
<i>MOROCCO</i>	35.000	39.000	35.000	-10%
<i>TURKEY</i>	500.000	527.000	700.000	33%
<i>EGYPT</i>	335.000	301.500	320.000	6%
<i>ISRAEL</i>	64.000	45.000	55.000	22%
TOTAL MED BASIN	2.087.634	2.612.920	2.620.920	0,3%

GRAPEFRUITS	Production 2007/2008	Production 2008/2009	Prod. Forecast 2009/2010	Variation (08/09)/(09/10)
<i>SPAIN</i>	46.194	50.814	43.000	-15%
<i>CYPRUS</i>	28.600	22.800	23.000	1%
<i>ITALY</i>	0	0	0	
<i>GREECE</i>	7.300	6.500	7.000	8%
<i>MOROCCO</i>	0	0	0	
<i>TURKEY</i>	245.000	200.000	300.000	50%
<i>EGYPT</i>	0	0	0	
<i>ISRAEL</i>	235.000	220.000	215.000	-2%
TOTAL MED BASIN	562.094	500.114	588.000	18%

An overview of the provisional northern hemisphere production forecasts was made. Several countries' data still needs confirmation in the coming weeks when forecasts will be finalised. Overall production is expected to be very close to last season, with only a 0.2% fall. Within this figure, oranges production is supposed to decrease by 7.4% and soft citrus production by 2%, whilst lemon and grapefruit production are expected to increase by 0.3% and 18% respectively.

- **Italy:** Orange and easy peeler production in Italy are predicted to return to levels of two years ago after a tough season last time around. Lemon production is expected to stay at levels of last year, which was a strong year for Italian production.
- **Israel:** Oranges are expected to be below last year's levels, but above those of two years ago. Easy peelers should increase up to 150,000T this season, a 15% improvement on last year's levels, which should lead to higher levels of exports, although this will remain to be seen as the season develops. Grapefruit production is expected to decrease by 2% compared to last year, however lemons will be up by around 10,000T to 55,000T, a 22% increase, with good size fruit.
- **Spain:** Spanish production is expected to fall overall by 20% for the forthcoming season, with respectively 27% and 9% decreases for oranges and easy peelers. Lemons and grapefruit forecasts are also down on last year's production, with 20% and 15% decreases. It is pointed out that the total output available for export is likely to be similar as last year despite the lower crop. Impact of trade of a lower production is therefore likely to be minimal. Rain at the current moment could lead to better sizes this season.
- **Cyprus:** The season is set to start in mid-October, slightly behind the normal schedule. The situation for irrigation water is better than last year, however there is still a shortage. Growers hope to maintain production levels and stop the decline seen previously.
- **Turkey:** Orange production in Turkey is predicted to stay at exactly the same levels as last year, while easy peeler production is predicted to fall by 8% to 550,000T, which should yield around 350,000T of exports. Lemon production is set to rise by at least 30% to around 700,000T, whilst grapefruit production is expected to jump by 50% to 300,000T, although some problems with sizing are expected.
- **Morocco:** The production forecast will be released early October. In the meantime, it is already anticipated that fruit bearing for clementines will be normal, however a small decline of production is expected in the Berkane area (-10%), while a sharp drop is expected in Nour given alternate bearings (-40%). For oranges, volumes of production might be very similar to last year. It is expected that the rain could stimulate the sizes, which have remained an issue.
- **USA:** The initial crop report for the USA is expected to be released on the 9th October. Initial impressions are as follows: In Florida orange production is predicted to decline by around 5%, with tangerines and grapefruit also declining. In California, navel oranges are set to increase by around 5%, with more clementine and late mandarin acreage leading to higher production levels. No major changes are expected for grapefruit, whilst lemon production is likely to be hit by the lack of rain, leading to over 10% reduction. In Texas, droughts are set to reduce production by between 5 and 10%.
- **China:** This season's pomelo harvest is set to be strong, with reports of 30% more fruit on trees and good sizing thanks to rain and favourable weather conditions, which is also likely to lead to early harvests. Although much of the fruit is destined for the internal Chinese market, exports to Eastern Europe should again be strong, although there are some issues with MRL.

Market Situation:

- **Russia:** The market was stable for lemons in the first half of the season, with moderate volumes from Argentina, and South Africa supplying good volumes. Consumption levels were good with stable prices. Prices increased at the end of August, although quality decreased as the Western European market demand increased. The first lemons from Turkey arrived this week, with good quality and competitive prices. South African lemons are practically finished for this year.
The only grapefruits on the market have been from South Africa, without any competition, although the market fell at the end of July and still has not recovered. Quality of stock is variable, and so are prices. Mandarins have followed the tendency of grapefruit, with a good early part of the season, and then a fall in mid-July has only just recovered. Fruit is exclusively from Argentina at the moment, with low prices at the moment but more recovery expected. Moroccan fruit is expected to arrive in week 42.
Oranges however have had a very stable season when compared to the last two, with most of the fruit from South Africa. The relatively low prices have prevented fruit from Argentina and Uruguay from competing on the market.
- **Europe:** The problem for summer citrus has been the economic situation, with cheap produce further pushing down prices. Buyers have been more price conscious than usual. The large summer fruit volume which has been available has pushed citrus out of the main retail space, and has been considerably cheaper than citrus fruit. The lemon market has been very stable with decent prices, and no oversupply issues. The small sizing of navels has been very present, as the market has been undersupplied significantly. Import volumes of navels have been far down on those seen last year, with higher prices. The grapefruit has been very tough, with a lot of fruit from South Africa. Consumption levels have stayed very low, although the market reacted to this very late, meaning there was a lot of excess supply on the market. Quality has been bad, as have prices and returns for growers.
- **UK:** The market has been characterised by stability. Supply and demand for oranges has been well matched, with markets looking strong through to November when SH stocks should be finished. The season has not been great for grapefruit, with weak demand, and a gap left available for forthcoming fruit from Israel and Cyprus. Lemons have enjoyed a good season, with short trade volumes, strong prices, a settled market and normal levels. Soft citrus has also been good, with the market already set for Spanish and Moroccan fruit. Spanish fruit is set to leave for the UK next week.
- **Germany:** Demand for oranges has been stable across the whole market. For lemons, the price of Argentinean fruit has decreased, and the market is expecting fruit soon from Turkey and Spain. Ellendales are finished for Argentina, although more fruit is available from Uruguay. Southern Hemisphere fruit has had limited problems with MRL, although five pesticide compounds have been found on some shipments, when supermarkets generally insist on less than this, which has caused some problems. 2.4 D is of particular concerns as some shipments exceeded specific requirements of German supermarkets. This might have indirectly an impact as well on trends.
- **Spain:** The market is strong at the moment, with people actively looking for fruit due to the lack of SH fruit. Prices have been very variable while the markets have been very sensitive. There has been no demand for lemons, with people buying only when absolutely necessary. Traders are awaiting the impact of the first navelinas. Grapefruit volumes have also been limited, with Spanish grapefruit not yet on the market.

Southern Hemisphere situation:

- **Argentina:** It has been a very good year for lemons, with smaller exports but more fruit going for processing, and prices staying strong. It has also been a strong season for mandarins. Valencias have

had a good season, despite the late start due to the Spanish crop, with Russia taking good volumes at the moment. Grapefruit has been a disaster, with less volumes and very bad prices.

Next season is looking mixed, with very dry weather in the North-West, where grapefruit and Valencias are grown, meaning volumes will be less and fruit will be smaller. However, the North-East has been very humid, which is good news for orange and mandarin crops.

- **Australia:** It has been a good year for volumes, despite smaller navel sizes this year. Easy peeler exports were up to 12,000T this year, 2000T more than last, although lemon exports have fallen by 60% to 300T. The easy peeler season has finished, with Lane Late varieties finishing in the next couple of weeks in the South and already done in the North. Prices have been deflated for most of the navel winter season, following the reduction fuel and oil prices. Domestic transport has also been expensive. Valencias are due to start in 5 weeks, with exports generally being less than that of navels.
- **South Africa:** It has been a tough season, with markets not performing as well as had been hoped. There has been a shift of fruit away from the EU to Russia, the Middle East and Far East. Total exports should finish at around 80 million 15kg cartons, 11/12% down for citrus on last year when exports were at 90 million. Navels have been 10% down, valencias 12% down with not enough fruit on the trees despite good sizing. Lemons are 14% down, with the first flush of lemons for the season not coming through well enough, and the season generally following this trend and finishing poorly. Grapefruit has been on an “on-year”, with good volumes seen. Exports in next year’s “off-year” should be lower. Easy peelers are 8% down on the previous year, with clementines 20% down. More mandarins have been planted this year instead of early clementines. Growers are closely following market developments to hopefully sell fruit well.
- **Uruguay:** Apologies were given from SHAFFE President Ms Marta Bentancur who was unable to attend the teleconference.

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