7th April 2009

Minutes for the Freshfel/SHAFFE Citrus Teleconference of 6th April 2009

A declaration was made 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 powerpoint presentation with summary data was submitted to participants prior the teleconference to facilitate the discussion.

The teleconference focussed this time in particular on the Southern Hemisphere production and export forecast as well as on the progress report on the Northern Hemisphere season. The teleconference included participants from Peru, Chile, Argentina, Uruguay, South Africa, Australia, Spain, Turkey, Israel and USA, as well as on the market side from Spain, France, UK, Germany and USA. Apologies were received from members from CIRAD, Russia, China, Italy Cyprus, Egypt and Morocco who were not able to attend the teleconference.

Southern Hemisphere Season 2009:

A consolidated forecast for Southern Hemisphere production and export for 2009 has been compiled and was presented to members:

TOTAL SH					
Production	**2007**	**2008**	**2009**	**Var 2009/2008**	**Var 2009/Av (03/08)**
Oranges	3.554.082	3.315.074	3.087.125	-6,88%	-4,61%
Mandarins	1.333.358	1.158.187	1.025.618	-11,45%	-14,90%
Lemons	2.289.230	2.120.305	2.088.105	-1,52%	-1,61%
Grapefruit	677.574	714.031	763.407	6,92%	19,64%
Total	**7.854.244**	**7.307.597**	**6.964.255**	**-4,70%**	**-3,30%**
Export	**2007**	**2008**	**2009**	**Var 2009/2008**	**Var 2009/Av (03/08)**
Oranges	1.230.522	1.303.855	1.266.259	-2,88%	16,61%
Mandarins	300.644	330.934	313.356	-5,31%	21,25%
Lemons	517.698	597.946	488.104	-18,37%	-3,48%
Grapefruit	249.629	220.913	251.815	13,99%	3,93%
Total	**2.298.493**	**2.453.648**	**2.319.535**	**-5,47%**	**10,86%**

The above chart includes the data from Peru, Chile, Argentina, Uruguay, South Africa and Australia.

Total Citrus:	2008 Prod	2009 Prod	% var	2008 Exports	2009 Exports	% var
Argentina	3.040.800	2.645.000	**-13%**	690.000	506.000	**-27%**
Australia	574.000	606.000	**6%**	138.909	164.320	**18%**
Chile	357.000	364.000	**2%**	92.149	107.500	**17%**
Peru	823.856	810.300	**-2%**	64.172	51.000	**-21%**
South Africa	2.252.941	2.312.955	**3%**	1.346.241	1.376.415	**2%**
Uruguay	259.000	226.000	**-13%**	122.177	114.300	**-6%**
Total	**7.307.597**	**6.964.255**	**-4,7%**	**2.453.648**	**2.319.535**	**-5,5%**

Oranges:	2008 Prod	2009 Prod	% Var	2008 Exports	2009 Exports	% Var
Argentina	942.000	660.000	**-30%**	155.000	108.000	**-30%**
Australia	419.000	450.000	**7%**	107.040	130.000	**21%**
Chile	150.000	152.000	**1%**	28.349	34.000	**20%**
Peru	372.601	389.600	**5%**	14.415	3.100	**-78%**
South Africa	1.326.473	1.322.525	**0%**	929.927	927.159	**0%**
Uruguay	105.000	113.000	**8%**	69.124	64.000	**-7%**
Total	**3.315.074**	**3.087.125**	**-6,9%**	**1.303.855**	**1.266.259**	**-2,9%**

Lemons:	2008 Prod	2009 Prod	% Var	2008 Exports	2009 Exports	% Var
Argentina	1.361.800	1.400.000	**3%**	406.000	300.000	**-26%**
Australia	31.000	30.000	**-3%**	917	920	**0%**
Chile	170.000	172.000	**1%**	43.595	45.000	**3%**
Peru	241.590	232.300	**-4%**	1.201	1.500	**25%**
South Africa	185.915	178.805	**-4%**	131.722	126.684	**-4%**
Uruguay	20.000	34.000	**70%**	14.511	14.000	**-4%**
Total	**2.010.305**	**2.047.105**	**1,8%**	**597.946**	**488.104**	**-18,4%**

Easy Peelers:	2008 Prod	2009 Prod	% Var	2008 Exports	2009 Exports	% Var
Argentina	410.000	285.000	**-30%**	96.000	75.000	**-22%**
Australia	115.000	117.000	**2%**	30.704	33.000	**7%**
Chile	28.000	30.000	**7%**	19.205	26.000	**35%**
Peru	205.187	184.400	**-10%**	48.556	46400	**-4%**
South Africa	380.000	375.218	**-1%**	98.192	96.956	**-1%**
Uruguay	130.000	75.000	**-42%**	38.277	36.000	**-6%**
Total	**1.268.187**	**1.066.618**	**-15,9%**	**330.934**	**313.356**	**-5,3%**

Grapefruits:	2008 Prod	2009 Prod	% Var	2008 Exports	2009 Exports	% Var
Argentina	327.000	300.000	**-8%**	33.000	23.000	**-30%**
Australia	9.000	9.000	**0%**	248	400	**61%**
Chile	9.000	10.000	**11%**	1.000	2.500	**150%**
Peru	4.478	4.000	**-11%**	0	0	
South Africa	360.553	436.407	**21%**	186.400	225.615	**21%**
Uruguay	4.000	4.000	**0%**	265	300	**13%**
Total	**714.031**	**763.407**	**6,9%**	**220.913**	**251.815**	**14,0%**

Further detail on the respective Southern Hemisphere seasons was given by delegates:

Argentina:

- General production areas for oranges and mandarins have had a very dry spring and summer, with production down by 30% for both. Navels in particular have a smaller crop, although the size of remaining fruit is good.
- The lemon crop is of normal size, although exports will be reduced (-25/30%) due to export market problems such as a large verna crop in Spain, economic uncertainty in Russia and other Eastern Europe countries, as well as much more fruit going to local processing (industry likely to take close to 1 Million T this year). Exports will start later this year, especially in the area of influence of Spain.
- Grapefruit exports will also be reduced due to smaller size of fruit, and export market uncertainty.
- The Argentine Peso has devalued in the last month, which helped to decrease some internal costs. Costs of packaging material and sea freight were reduced, although prices of exported fruit are also expected to be lower.
- The Satsuma season started well, with good prices in the UK, North Europe and Russia. Satsumas will finish in 2-3 weeks. Prospects for Navel exports are good. The lemon market is looking generally conservative, with very tight prices at the beginning of the season.

Australia:

- After a poor year in 2008, production has recovered this year somewhat, particularly for oranges, although Navel sizes will be slightly smaller. Mandarin production increasing by 5-6% p.a due to new plantings maturing.
- Over the last five years, the trend in production has been for consolidation of the industry, with larger farms becoming much more common, combined with more efficient production systems and better use of water. This is looking more positive for the industry going forward as efficiencies improve.
- Drought conditions are easing, but still remain serious although more water is available for growers. Rain in South-East Queensland is gradually flowing down to production areas. The recent heat wave caused some of the fruit on smaller trees to burn, although larger trees were unaffected and the overall impact will be on less than 1% of the crop.
- Grapefruit and lemons have no market for exports, and so will stay on the domestic market. A slight improvement in export markets has been seen, especially Asia. Exports to the USA are forecast up slightly, including Mandarins, however they are subject to competition on what other SH producers will send.

South Africa:

- There is a slight delay in the lemon season, although the domestic and processing markets are strong.
- Grapefruit sizes are smaller than the previous years, although otherwise are looking good. Some problems are expected with selling the smaller and less popular Marsh grapefruit.
- A program to control insects in the Western Cape is working well, and growers are looking to expand it to all growing areas.
- Winter was mild, with good late summer rain.
- On the market side, Middle East and Far East prices for lemon have been good. The consignment market however has been bad for prices. The Russian market will be a problem this year. Lemon volumes to the EU are larger than normal.
- Orange volumes are the same, Satsumas exports are 8% up, Clementine exports are 3% down. White grapefruit 7% up but are mainly of small size. There are concerns about the economic crisis in Japan but initial programme planning to this destination is larger than last year. There is also in South Africa some concern about the sales of the increased production of marsh grapefruit.

Uruguay:

- Production is significantly down on last year’s figures. Following a drought, rain started again in February.
- For easy peelers, the early varieties may have smaller sizes, although the acid/juice ratio is good. Size may improve later on for other varieties.

- Exports of easy peelers to the UK started with the same prices as last year but lower prices may be expected for the whole season.
- For oranges, Navels are expecting a normal season, however it is too early to predict for Valencias.
- The Russian market is expected to be problematic, and the Pound/Euro to Peso exchange rate is giving less flexibility.

Chile:

- The dry autumn has meant good quality of fruit, and there has been no repeat of last summer's droughts. Sizes should be larger, however for the most part it is still too early to predict.
- Commercially the Russian and Japanese markets have been slow. The increase in costs may stop the Chileans from competing with the South Africans in the EU market.

Peru:

- Production is similar to 2007 at around 800,000T, and exports expected to be 51,000T.
- There has been a significant decrease in Minneolas, with a 20% fall in exports expected. Easy peelers on the whole have been of good quality and size, with Satsumas 8mm larger on average than last season and Clementines and Minneolas both of excellent quality and larger size;
- The domestic market has also been very strong.

Northern Hemisphere Season 2008/09:

The chart below represents a progress report of the season for selected Mediterranean countries comparing the exports up to March this year with the realisation last year. It demonstrates that the balance of citrus fruit remaining to be cleared is higher than last year for most of the categories with a particular concern for lemons.

TOTAL CITRUS	Export 2007/08	Export to 1/3/08	Balance	Export 2008/09	Export to 1/3/09	Balance	Variation 2008/09	Variation March 1	Variation Balance
SPAIN	3.036.300	2.325.390	710.910	3.564.000	2.500.046	1.063.954	17%	8%	50%
MOROCCO	582.300	420.000	162.300	652.300	420.000	232.300	12%	0%	43%
TURKEY	724.700	637.100	87.600	780.000	863.700	-83.700	8%	36%	-196%
ISRAEL	165.100	128.300	36.800	181.000	120.350	60.650	10%	-6%	65%
TOTAL MED	**5.876.620**	**3.090.790**	**2.785.830**	**6.498.700**	**3.484.096**	**3.014.604**	**11%**	**13%**	**8%**

ORANGES	Export 2007/08	Export to 1/3/08	Balance	Export 2008/09	Export to 1/3/09	Balance	Variation 2008/09	Variation March 1	Variation Balance
SPAIN	1.275.600	763.116	512.484	1.555.000	848.212	706.788	22%	11%	38%
MOROCCO	295.700	150.000	145.700	305.000	120.000	185.000	3%	-20%	27%
TURKEY	147.900	128.400	19.500	150.000	184.400	-34.400	1%	44%	-276%
ISRAEL	30.000	16.100	13.900	42.000	13.700	28.300	40%	-15%	104%
TOTAL MED	**2.883.300**	**907.616**	**1.975.684**	**3.146.400**	**1.046.312**	**2.100.088**	**9%**	**15%**	**6%**

EASY PEELERS	Export 2007/08	Export to 1/3/08	Balance	Export 2008/09	Export to 1/3/09	Balance	Variation 2008/09	Variation March 1	Variation Balance
SPAIN	1.417.200	1.359.571	57.629	1.529.000	1.418.709	110.291	8%	4%	91%
MOROCCO	272.200		272.200	332.000		332.000	22%		22%
TURKEY	221.800	219.300	2.500	280.000	365.800	-85.800	26%	67%	-3532%
ISRAEL	50.000	45.440	4.560	52.000	47.300	4.700	4%	4%	3%
TOTAL MED	**2.096.350**	**1.624.311**	**472.039**	**2.312.100**	**1.831.809**	**480.291**	**10%**	**13%**	**2%**

LEMONS	Export 2007/08	Export to 1/3/08	Balance	Export 2008/09	Export to 1/3/09	Balance	Variation 2008/09	Variation March 1	Variation Balance
SPAIN	305.400	181.596	123.804	440.000	217.513	222.487	44%	20%	80%
TURKEY	223.900	197.500	26.400	230.000	226.700	3.300	3%	15%	-88%
ISRAEL	4.100	3.760	340	0	710	-710	-100,00%	-81%	-309%
TOTAL MED	**627.530**	**382.856**	**244.674**	**775.300**	**444.923**	**330.377**	**24%**	**16%**	**35%**

GRAPEFRUITS	Export 2007/08	Export to 1/3/08	Balance	Export 2008/09	Export to 1/3/09	Balance	Variation 2008/09	Variation March 1	Variation Balance
SPAIN	38.100	21.107	16.993	40.000	15.612	24.388	5%	-26%	44%
TURKEY	131.100	91.900	39.200	120.000	86.800	33.200	-8%	-6%	-15%
ISRAEL	81.000	63.000	18.000	87.000	58.640	28.360	7%	-7%	58%
TOTAL MED	**269.440**	**176.007**	**93.433**	**264.900**	**161.052**	**103.848**	**-2%**	**-8%**	**11%**

Israel:

- The final part of the season is currently underway, with similar production to last year at around 600,000T. Exports of 170,000T total are predicted, similar to the previous season, although there were some doubts at the start whether these targets would be reached. At the end of December exports were 20% behind on the previous year, although this deficit has since been caught up over Jan/Feb/March.
- Grapefruit has had a good crop, particularly Red grapefruit. 85,000T for all varieties in total.
- Orange exports are less than predicted, with a 10% decrease expected. Easy peelers are expected to make up the orange shortfall, with 55,000T exported so far and more to go before the April finish, and consignments continuing to be shipped until mid-May.

Turkey:

- The season is marked by a sharp increase in oranges and easy peelers exports in comparison with last year's exports and forecasts at the beginning of the season (exports from September to the end of February were +68.6% for easy peelers and +44% for oranges).
- Grapefruit exports 5% less than last year due mainly to a decrease in production and lack of demand.
- Lemon increase in exports (+15%) reflects the increase in production.
- The main export markets are as follows:
  - Oranges and easy peelers: Russia, Iraq, Ukraine and Romania (Germany is only 10th).
  - Lemons: Russia, Ukraine, Saudi Arabia and Greece.
  - Grapefruit: Russia, Romania, Poland, Ukraine, Bulgaria and then Germany.
  - Eastern Europe remains the key market for Turkish produce.
- Prospects for the end of season are as follows. In March, about 45,000 tons of lemons were exported, mainly to Ukraine, Romania and Greece. There remains about 100,000 tons of lemons to be harvested. The easy peelers season is practically over with 6,500 tons exported in March. Some quantities of Valencia Late and grapefruit remain to be exported. Approximately 42,000 tons of oranges and 20,000 tons of grapefruit were exported in March.
- Some problems of quality due to rain were reported but in general there have no problems with the overall quality.
- With March export numbers, total citrus exports rose to 968,000 tons, well ahead of last year's figure of 725,000 tons, about 30% more.

Spain:

- No real change in the situation since it was last reported in Berlin. Clementines and lemons have both returned to normal crop levels after lower production last year.
- Economic results for oranges, easy peelers and lemons have all been disastrous, with up to 20% of lemons being left unpicked, as well as between 15-20% of both oranges and easy peelers.
- Prices on the market have been very low, often below the cost of production. Exports have been more and more concentrated on the EU, with exports to both Russia and the USA low.
- The size of the fruit has been a big problem for lemons. Fino will finish this week, with Verna starting in two weeks.

Italy:

- The blood orange campaign finished in advance (end of March instead of mid-May), due to a tremendous shortage of raw materials in the orchard (around 70% less).The shortage for normal oranges is estimated at about 30%.
- The combination of these two points increases the overall orange shortage to about 50%.

Morocco:

- There have been complex climatic conditions with heavy rains, flooding, and cold weather. The implications of this on quality has meant smaller size on Valencia late and Maroc late, as well as over-ripening of fruit and poor quality.
- This has led to a revision of the export target. So far 420,000T of 650,000T initial target has been exported however total exports for the season are now expected to reach around 550,000T.
- Exports of oranges so far have been 120,000 T out of initial potential of 305,000T, although this figure will not be reached. For soft citrus 300,000T have been exported from an initial target of 332,000T.

USA:

- The USDA March production forecasts has put California Valencia oranges up by 25%, although it is still 6% below last year's substantial crop. Fruit sizing is quite small and the industry will need heavy shipments this summer to move the crop. This situation could have an impact on summer citrus dynamics.
- The market dynamics for Mandarins remain favourable, with a gap in supply expected for the end of April. Florida's Honey Tangerine crop has been harvested ahead of schedule the result of freeze damage that reduced utilisation. California's Late Mandarin crop has about 2/3 weeks remaining if quality holds. Movement has slowed which is normal for citrus during the transition from winter.
- The California Navel crop remains down 29% from last year with 65% of the fruit harvested. This was a short crop that has been extended by weather related problems and some cannibalisation from the Late Mandarins that slowed mid-winter marketing. If quality holds through the peak bloom period this crop will go into mid-June. Sizing is also excellent.
- Exports of grapefruit from Florida will be very limited over the next few weeks. Shipments to Japan this season will approach 6 million cartons, when five years ago they were above 12M cartons. Europe is expected to receive 5.2 million cartons with very limited inventories on hand.
- Price pressure from customers has increased, with a decline for lemons of 15% seen notably in the food-service sector. A noticeable adjustment in buying behaviour has been seen, with customers preferring the smaller bags of fruit, however volumes on the whole have stayed fairly constant despite this change.
- Following a pest-risk analysis undertaken by APHIS, this week Chile has received market access for its oranges and grapefruit to the continental USA, effective May 7, 2009. More information can be found at the following link: http://www.regulations.gov/fdmspublic/component/main?main=DocketDetail&d=APHIS-2007-0115

Northern Hemisphere Market Situation:

- Overall concerns about the impact of the economic and financial crisis on the citrus market.
- Concerns about the declining purchase of citrus by the food services (particularly relevant for lemons).

- Impact of the market access conditions on the Russia market (MRL legislation) as well as the financial situation following devaluation of the rouble.
- Grapefruit sales have been good, with demand matching supply so far. Grapefruit from Florida is doing well in certain markets. There will be no overlap between the NH and SH seasons, meaning the transition should go well.
- Market situation has been rather satisfactory so far on SH easy peelers, some volume remaining on satsumas. This is placing pressure on the next varieties coming into the market. Clementines are under pressure from the Satsumas which have not sold. When the weather is sunny, consumers tend to move to other citrus varieties, not easy peelers.
- There has been a shortage of large sizes for oranges, with lots of small and medium size fruit available which is causing problems. With late Valencias coming from Spain and Morocco, revenues could end up being less than cost. The glut of small sizes in the market has meant that prices have fallen on most of the market. The demand for bigger fruit is there, but there is a lack of supply. For oranges, Navels and Valencias from Spain are also smaller than usual, with larger sizes very scarce but demand for them very high. Prices have also been very high, which means buyers are not taking risks. Economic pressure is causing great uncertainty therefore people are only buying the best quality produce, with marginal varieties proving unpopular.
- Lemons have been a disaster, with falling sales.

Next teleconference

It was agreed that the next teleconference should be in mid-June rather than mid-July.