



16 December 2010

Minutes for the Freshfel/SHAFFE Citrus Teleconference of 16 December 2010

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 to ensure the transparency of the discussion also for non-members.
- The teleconference covered the following points
 - Review the first market developments for northern hemisphere citrus with production update;
 - A specific presentation on soft citrus development on global market by CIRAD;
 - Balance of the season for SH 2010 season and first production outlook for 2011.
- Participants included suppliers and trade representatives from Spain, Italy, Morocco, Turkey, Israel South Africa, USA, China, The Netherlands, Germany, France, UK.

Supply and market of citrus in the Northern Hemisphere

Spain:

- **General:** Spanish farmers find a common difficulty due to dry weather, which is characterised for all kind of citrus, to market their production – in small size, which also influences the price.
- **Lemons:** difficult kick off of the season given the early marketing of Turkish lemons and the big stocks from Argentina at very low prices (which were presented in the market till the first week of December). Small size reduced Spanish exports at the beginning of the season. Currently the crop of lemons is of excellent quality and the size came back to normal, but Spanish producers feel the pressure to reduce the prices. 96% of the total exports tend to be concentrated on the EU27 level starting up from September until the end of November. Precisely for Verna's variety, this year a bigger crop is expected than the last year. An accurate forecast will be announced at the end of January.
- **Oranges and easy peelers:** The market stayed low at the beginning of the season due to the decline of consumption. The harvest is already finished for the earlier varieties. For Clemenules - the harvest has increased by 5% from 1.450.000 tonnes to 1.520.000 tonnes and is harvested by 60%. In regard to Navelinas - production forecast is increasing by 15% from 1.100.000 tonnes to 1.260.000 tonnes and is harvested by 50%. The prices of oranges and easy peelers have been decreasing from the 42nd week depending on the size of fruits. At the moment the Spanish market is recovering by improving the size, good quality and the high demand.
- **Grapefruit:** the season has started at the normal level, but with the smaller sizes of fruits than in prior season. Grapefruit production is predicted to jump by 5.5% to 55.000 tonnes, good demand and transparent season is expected.

Italy:

- Italy has to modify the previous forecast for lemons and clementines, however the quantity of production and exports is expected the same as the previous campaign. Concretely the production of lemon could reach 650.000 T while the easy peeler one could go up to 700.000T.
- Weather conditions influenced the size of oranges as well as the surface of fruit (strong wind in June leading to greater sorting at packhouse level given skin damage). Currently the size of orange fruit is between medium and small, but for late varieties sizes are better – between middle and big.
- On the market perspective, Sicilian exporters will maintain the same position as the previous season.

Morocco:

- Morocco expects to export 600.000. tonnes in 2010/11 while previous season exports composed the quantity of 490.000. tonnes. The reasons of increase by 23% of exports are: good climate conditions and new plantations of 2000 ha., which are 2.4% of total planted surface.
- This season Morocco started the exports 10 days earlier. By the 20 of November, 119.000. tonnes of clementines, with an increase of 23% comparing with 2009/10, have been exported. The first export of Navel started at the beginning of December and the first clementines' variety Nour will be sent next week.
- Concerning clementines, the size was different, depending on the Morocco's region. In the centre of Morocco the size was large, while in the south and north fruits were of medium and small sizes.
- Morocco did not have rain during the first part of season so the exports' were in good conditions. The climate changed by the end of November. After the rain season clementines got geotrichum and penicillium diseases.
- The Moroccan local market consumption of Navels is growing every year, thus the volume of exports will decrease next season, especially if the export prices will be not acceptable.

Israel:

- The season 2010/2011 started very promising due to early ripening (the week 36) and absence of SH fruit in the market and in stocks. From September till middle of October the market was very good for the Israel's grapefruit, but from the middle of October the grapefruit market slowed down and this situation remains until now.
- The season of easy peelers have just started, but the picking of Mineolla and Nova started last week. The total export since 2008 are slightly growing, the diff over 2009/10-2010/11 is 2%.
- The biggest part of all exports composes the exports of red grapefruit (61.3%), with a diff from the previous season of 25%.
- It is expected that the market will revive towards the middle of December, with the big quantity of exports at the end of this year. For the forthcoming season is expected that exports will be bigger by 10% due to new plantations, which are coming to the production.

Turkey:

- For the season 2010/11 total citrus production is expected to be 2.805.000 tonnes (confirmed at level announced in September) corresponding to an increase of 1% regarding the prior season.
- Some orange and grapefruit production decrease is expected with an offset of the increase of easy peelers and lemons.
- Currently the season is going on its normal course. Lemon season started at the middle of September with the varieties of Mayer and Enterdonatos, followed by Lamas. The season for easy peelers started at the middle of October with the variety Satsumas and got a big acceleration at the middle of November. This variety will continue till the second half of the season.
- Turkish citrus exports accumulated till the end of November have been 406.700 tonnes, which is about 24% above last season exports. However, this quick start of the exports seems to become slower next month. Over this season, easy peelers exports have been 169.200 tonnes, lemon exports – 154.000 mln. tonnes, orange exports – 42.000 tonnes and grapefruit exports 41.300 tonnes. Russian federation followed by EU (130.000 tonnes of Turkish exports, which compose approximately 30% of total Turkish exports) is the leading market with more than 152.000 tonnes of citrus of imports. Turkish producers expect to enter to Japanese market with the announcement of their first shipment of grapefruit.

USA:

- Projection for Texas and California remained unchanged at this point in the season. There has been a slight downward adjustment to the Florida orange crops of 2%, but this is primarily juice oranges. Florida grapefruit and tangerines have also been lowered by 2%, but with 85% of the crop still to be picked. Consequently this recent USDA update might be affected by freezing conditions on December 14th and 15th with temperatures below 28 degrees Fahrenheit for 6+ hours in most growing regions will affect production but will take weeks to assess damage. Early mandarins in California are in the same condition as the last year, but the late varieties are forecasted to be 30% above last year's volume. Here also, the November's freeze could reduce the volume of the late variety of mandarins.
- Given late maturity in California, Texas and Florida for all citrus crops the harvest with very small sized fruit was picked 3 weeks later than normally. However the quality is rated as very good in all regions, except the resistance of various diseases was quite low – the industry was confronted with an outbreak of Sweet Orange Scab in Texas and Louisiana and two occurrences of Citrus black Spot in Florida. The three producing regions enjoyed good weather conditions during the growing season but serious freezes early in the picking season will impact the marketing of the 2010/11.
- California is just starts exporting and small sizes of fruit will limit early season volume. Florida is running 8-10% behind last year's season and the freeze could limit the annual shipment. California is primarily focused on the Far East while Florida's grapefruits will be shipped to those markets and to Europe. The referenced freezes will have some impact on early season marketing, but more likely they will influence fruit movement later in the season. The spread of citrus canker will continue to limit the amount of fruit shipped from Florida, particularly to Europe.
- The volume of grapefruit shipped to Japan has declined in recent years as losses have resulted in a tight supply management system. Europe will be a challenge to Florida as USA try and work through the difficult canker protocol that is now in place. Apart of this USA would like to re-launch the talks on a modified protocol, delayed by EU, which limits Florida's shipments to Europe.
- Sweet Orange Scab from Mexico and Texas is creating a barrier for domestic shipments, thus California is not taking fruit from Texas and Mexico.
- A new pest risk assessment is being released on CBS (citrus black spot) stating that fruit is not the vehicle of communication of the disease. This report might have further impact on market access
- The US market is showing no response to higher pricing strategies as the consumers and retail trade put pressure on farmers or shippers and importers to lower FOB prices. The recession is still having and impact on fresh fruit merchandising.

China:

- Production forecast dropped down slightly early this season in the Province of Guangdong and slightly decreased in the Province Pinghe/Fujian. The volumes of early harvest were high, as well as the price in the local market due to high local demand. The prices of the exports felt down.
- The weather conditions this season were favourable for the size as well as for the quality of fruits, differently as in other countries. Due to the surplus of rain the season has stopped very early.
- The main exports were made to Eastern European Countries (Russian Federation, Czech Republic and Poland) though the pressure on prices could be appreciable due to dry early fruit in Western Europe.
- The volumes of production went down by 12-15% until October and the decrease of total season was 20%. The anticipations that China was expecting in advance were highly priced fruit and significantly less MRL issues than previous year. In the mean time Chinese exporters faced with some problems like: increased local market prices put pressure up to prices export, stricter payment terms than ever before and the volatility of the exchange rate of \$ and €. Overall export to Europe might be lower given also strong local demand and development of markets in South East Asia.

General Market comments:

- Big size normally enjoyed favourable market conditions, but there were large volume of small size with low prices.

- Difficult market trends are reported across Europe with low prices and small movement as demand is not there. Proximity of Christmas and shift of consumers preference to other products might be an issue and a new quick off might have to wait up to January.
- Weather has been disruptive of the logistics and sales in many regions across Europe.
- Late clearing of SH citrus, in particular from South Africa, Uruguay and also Argentina (lemons) did not help for a steady market. Grapefruit is now cleared; lemon market was largely oversupplied by Turkey as well. the easy peeler situation was somewhat brighter.
- Consumer interest to consume seems affected by economical uncertainties and raising taxes, health care.
- Expected improvement in January.
- Impact of exchange rate volatility for the trade.
- SH countries are collectively considering some promotion action in the US for summer citrus to stimulate sales. This could be of great value and even to be extended to others considering the report below on soft citrus.

Balance report from Southern Hemisphere season

South Africa:

- Tough beginning of the season due to Transnet's (the largest freight logistics chain) strike which delayed exports. However SA export volumes increased to record levels (99mln. cartons). The main importers of SA's citrus fruit are: Europe (29%), Russia (14%) and Middle East (22%).
- The quality of fruit was good, though the morpholine issue had posed serious threat to tail-end volume arriving in EU.
- Exports for all varieties are above volumes last season except grapefruit. So far there have been 12.5 M cartons of grapefruit compared to 14 M last year. 7.1 M of soft citrus have been shipped against 6 M in the previous campaign. Lemons have been 9.4 M shipped compared to 7.6 M in 2009. For oranges, navels have been 22.5 M cartons shipped and Valencia 45.9 M, against 19.1 M and 35.1 M cartons respectively for the year before. The most exported citrus fruit from SA were oranges – Valencia with an average share of 47% of all exported citrus fruit over this season.
- Local market remains a relatively small but important component of citrus industry.
- Prices were fair to good, but exchange rate movements reduced the benefit of higher volumes with fair prices. Lemon prices were exigent at start due to less global supply (due to Spanish Verna variety and frost in Argentina). Export prices have been shifting comparing with the last year – the current price 9.12 Euros against 11.14 Euros last year. Lemon juice prices have been favourable this season.
- The forecast for the year 2011 predicts the normal level of the crop. Any significant changes anticipated regarding the diseases, though the dry weather (in some regions) is expected until late – September, which can influence the size of fruit.
- SA has facilitation for market access to the USA - the cold sterilisation protocol was reduced from 24 days to 22 days and SA wills to continue engagement with the EU on CBS.

Argentina:

- At the macroeconomic level, there were no significant changes on the exchange rate in 2010. The sector showed a competitiveness loss, since the domestic costs were going up (salaries, consumables and ect.) and neither the market nor the rate of exchange could deal with these variations. Inflation in dollars is about 20% yearly. Thus Argentinean government has significantly delayed the refund of export domestic taxes, producing financial losses to the business sector. Currently social, union and industrial demands are increasing due to presidential elections in 2011.
- The forecast shows stability for mandarins (300.000 T. - with some development in nova and clementines) and grapefruit (100.000.) production in 2011 compeering with 2010. Oranges will be up by 50.000 t to 750.000T (navels relatively stable) while lemons will recover previous frost and be at normal conditions with a production of 1.200.000T. Drought in spring could affect future crop. Dry spring is the result of La Niña effect

Peru:

- Season 2010/11 was the year of the recuperation after the financial crisis that affected the previous season. UK's demand is stable, but EU demand grows every year. Peru still feels that US's market is still affected by the financial crisis and in the mean time is interested in new markets like: Russia and Eastern Europe.
- Exports were influenced by low demand during the summer time and low acceptance of some varieties like Satsuma and Minneola. US's supermarkets gave few shelf spaces during the summer and increased sales prices. This season USA and Canada were an acceptable importers, but with some demand problems, mainly for Minneola.
- The start of the season was rough, with low exchange rate for Euro and Pounds, but at the end of the season the exchange rate grew significantly. Dollar's exchange rate related with local currency was the main disadvantage.
- For the future perspective Peru's producers are optimistic, due to great acceptance in the market, mainly Europe and UK. Although the volumes of next season will increase, Peru will continue struggling with costs and will work hard to keep a good quality of production and to diversify the local and the external market.
- Peru in 2010 exported 67.155 mln. tonnes of citrus. The biggest part of all exports composed mandarins: Satsumas (15.567 tonnes), Clementinas (3.127. tonnes) and others (18.033 mln. tonnes). But also tangelo for 21.829 T and oranges 7.538 T
- *The forecast for the season 2011:*
 - Small drop is expected for Okitsus, which will save some labour costs. The size of fruit will be good, better than previous season and expects to have the first shipment by the beginning of February.
 - Owari the volumes seem to be slightly lower than in 2010 but with a good quality.
 - Minneola quantities will be similar to the last season. So far trees are in the fruit grow stage with the diameter of 26 mm.
 - W. Murcott it is too early to prognosticate the forthcoming situation. Botrytis focuses on northern areas during flowering. Peru expects fewer damages since preventive applications had been more precise.
 - Unstable weather conditions with alternation of sunny days with cool cloudy days and the temperature by 2⁰C below normal temperature. This kind of weather conditions has caused some productive alterations in avocados and Satsumas. In January it will be clear if varieties like Clementines and W. Murcott had suffered from this climate effect. A lot of growers had sophisticated their measurement methods for soil humidity, weather conditions and water daily doses. Climate change will increase usage of biological control and will fewer chemical usages.
- Peru seeks to access Asia's market: Japan and Korea and have just finished negotiations for FTAs. The local market is strong with good and stable demand with projection of GDP growth between 7-8%. The pushing forward promotion of summer citrus in the USA is expected.

International Easy Peeler market

A presentation was made **by Eric Imbert** (Cirad) on the latest development on the soft citrus market. Main elements of the analysis are as follows:

- The market of easy peelers is growing fast – 1.2mln tonnes in the last 7 years.
- Easy peelers' commodity became equivalent (3.4 billion US\$ in 2009) to the oranges' commodity (3.8 billion US\$ in 2009).
- EU is the main import market of the world with over 1.5 million T but the market seems to stagnate. Outside EU-27, the main importer of easy peeler becomes Russia and central Europe which imports compose almost the same amount as exports to Asia, North America and other countries together over 2009-2010.
- Consumption widely vary from average 5.4 in EU-15 to 3-4 kg in most new MS except BG and RO were level is below 2kg. This show the grow potential
- In US consumption (1.7 kg /capita) remains low compared to other developed market such as EU and world champion Japan (7.5 kg) ,
- Production continues to grow (to reach 30 million T) but mainly driven by new supplier countries in Asia: China and Pakistan. The imports in those countries are increasing every year. Over 2009 China and Pakistan exported more than 1mln tonnes while the exports in 2007 composed 530.00 tonnes and 800.000

tonnes in 2008. 80% of exports go to Asia and Middle East, 20% go to Eastern Europe and only a very small part goes to Canada.

- Every year world production is now 30 mln. tonnes of easy peelers, production is exploding fast. Particularly in Asia, 13mln tonnes bigger production in ten years (1.5 mln. tonnes per year since the season 04/05). Chinese production grew up by 2.5 times in 10 years, which is 17 mln. tonnes – 60% of the world production. More moderate growth in the Mediterranean countries is defined – 1.1 mln. tonnes in 10 years. Morocco and Turkey took over Spanish growing position, which production now is tending to stabilise.
- The report shows a need to consider promotion activities to stimulate consumption. Growth potential are still possible including in more mature market such as Europe, but US market also offer good opportunities
- More details are also available in CIRAD analysis and publication

Other issues

Given lack of time the issues were not discussed in details but just mentioned.

- **Scheme for the Application of International Standards for Fruit and Vegetables:** A new OECD brochure is available. The brochure is prepare to facilitate the common interpretation of standards in force by both the Controlling Authorities and professional bodies responsible for the application of standards of lemons, oranges, mandarins and grapefruits – pomelo, OECD prepared a Scheme for the Application of International Standards for Fruit and Vegetables – explanatory brochure, comprising comments and illustrations. The brochure. Can be downloaded on <http://www.oecd.org/dataoecd/57/16/46256960.pdf>
- **UNECE discussion on marketing standards :** The latest draft under discussion at UNECE for citrus is mentioned (**UNECE Standard FFV-14 concerning the marketing and commercial quality control of citrus fruit**) The points under discussion are
 - Maturity index for oranges: It is approved to keep it in the level of 6.5 as proposed by Freshfel
 - New provision on colour – green skinned fruit. The discussion was focused on the introduction of the following paragraph: *“With respect to colouring, fruit may be marked in their natural color provided they meet the limits as set out for juice content, minimum sugar content and minimum sugar/acid ratio, as specified for their species concerned and the fruit is labelled “Green-skinned fruit”.* It is clearly stated that tropical oranges already have a specific provision in the standard.

As no general consensus is possible, the UNECE German Presidency proposes to consider the above mentioned paragraph as a “recommendation” in an a attached document to the standard, giving the opportunity to open the door to this possibility during the next 2 years and reopen the discussion at that time. The EC is holding with legal services should be done in order to know if such a recommendation should or not be considered when adapting the EC citrus standard to the new UNECE standard. It is noted that UNECE standards will be transferred in EU legislation meaning than compulsory standards will apply to grapefruit and limes

- **Berlin citrus plenary meeting:** A plenary meeting of the citrus committee is foreseen in Berlin on Tuesday 8 February 2011. A detailed agenda will be elaborated out shortly and provided to all delegates

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Update citrus

	Production	Production	Production	Prod. Forecast	Variation	Variation
ORANGES	2007/2008	2008/2009	2009/2010	2010/2011	(3 years av)/(10/11)	(09/10)/(10/11)
SPAIN	2.705.000	3.462.571	2.756.042	2.996.093	1%	9%
CYPRUS	29.200	23.360	24.000	24.000	-6%	0%
ITALY	2.293.500	1.500.000	2.293.500	1.680.000	-17%	-27%
GREECE	930.500	802.000	860.000	775.000	-10%	-10%
MOROCCO	732.400	790.000	710.000	804.000	8%	13%
TURKEY	1.173.000	1.230.000	1.230.000	1.050.000	-13%	-15%
EGYPT	1.800.000	1.620.000	1.700.000	1.700.000	0%	0%
ISRAEL	115.000	173.000	140.000	115.000	-19%	-18%
TOTAL MED BASIN	9.778.600	9.600.931	9.713.542	9.144.093	-5,7%	-5,9%
USA	2.316.864	1.927.170	2.142.950	2.519.909	18%	18%
TOTAL	12.095.464	11.528.101	11.856.492	11.664.002	-1,4%	-1,6%
EASY PEELERS	2007/2008	2008/2009	2009/2010	2010/2011		
SPAIN	2.040.000	2.229.626	2.021.023	2.127.531	1%	5%
CYPRUS	61.300	49.040	50.000	55.000	3%	10%
ITALY	702.700	527.000	702.700	700.000	9%	0%
GREECE	64.910	58.500	62.000	56.000	-9%	-10%
MOROCCO	471.600	531.000	570.000	592.000	13%	4%
TURKEY	495.000	650.000	500.000	625.000	14%	25%
EGYPT	660.000	594.000	625.000	625.000	0%	0%
ISRAEL	133.000	130.000	150.000	165.000	20%	10%
TOTAL MED BASIN	4.628.510	4.769.166	4.680.723	4.945.531	5,4%	5,7%
USA	431.820	403.180	462.160	550.000	27%	19%
TOTAL	5.060.330	5.172.346	5.142.883	5.495.531	7,2%	6,9%
LEMONS	2007/2008	2008/2009	2009/2010	2010/2011		
SPAIN	552.192	945.562	673.075	807.000	12%	20%
CYPRUS	17.500	14.000	15.000	16.500	6%	10%
ITALY	546.600	655.920	655.920	650.000	5%	-1%
GREECE	46.500	30.500	40.000	60.000	54%	50%
MOROCCO (Other citrus)	35.000	39.000	40.000	80.000	111%	100%
TURKEY	500.000	550.000	750.000	860.000	43%	15%
EGYPT	335.000	301.500	320.000	320.000	0%	0%
ISRAEL	64.000	45.000	55.000	55.000	1%	0%
TOTAL MED BASIN	2.096.792	2.581.482	2.548.995	2.848.500	18,2%	11,7%
USA	639.090	866.640	777.270	856.909	13%	10%
TOTAL	2.735.882	3.448.122	3.326.265	3.705.409	16,9%	11,4%
GRAPEFUITS	2007/2008	2008/2009	2009/2010	2010/2011		
SPAIN	46.194	50.814	52.000	55.000	11%	6%
CYPRUS	28.600	22.800	23.000	23.000	-7%	0%
ITALY	0	0	0	0		
GREECE	7.300	6.500	7.000	7.000	1%	0%
MOROCCO	0	0	0	0		
TURKEY	245.000	170.000	300.000	270.000	13%	-10%
EGYPT	0	0	0	0		
ISRAEL	235.000	220.000	215.000	185.000	-17%	-14%
TOTAL MED BASIN	562.094	470.114	597.000	540.000	-0,6%	-9,5%
USA	1.423.140	1.208.410	1.100.870	1.112.728	-11%	1%
TOTAL	1.985.234	1.678.524	1.697.870	1.652.728	-7,5%	-2,7%

	Production	Production	Production	Prod. Forecast	Variation	Variation
TOTAL CITRUS	2007/2008	2008/2009	2009/2010	2010/2011		
SPAIN	5.343.386	6.688.573	5.502.140	5.985.624	2%	9%
CYPRUS	136.600	109.200	112.000	118.500	-1%	6%
ITALY	3.542.800	2.682.920	3.652.120	3.030.000	-8%	-17%
GREECE	1.049.210	897.500	969.000	898.000	-8%	-7%
MOROCCO	1.239.000	1.360.000	1.320.000	1.476.000	13%	12%
TURKEY	2.413.000	2.600.000	2.780.000	2.805.000	8%	1%
EGYPT	2.795.000	2.515.500	2.645.000	2.645.000	0%	0%
ISRAEL	547.000	568.000	580.000	520.000	-8%	-10%
TOTAL MED BASIN	17.065.996	17.421.693	17.560.260	17.478.124	0,7%	-0,5%
USA	4.810.914	4.405.400	4.483.250	5.039.546	10%	12%
TOTAL	21.876.910	21.827.093	22.043.510	22.517.670	2,7%	2,2%

