

The European counter-season citrus market

The challenge launched by Mediterranean producers

Is the European out-of-season citrus market at a turning-point? Demand seems to have reached a fairly mature stage for produce such as orange and grapefruit and no major changes are expected. *Fruitrop* takes other factors of change into account, in particular by seeking answers to two questions. What effect might have the problems currently experienced by the Florida citrus sector on the summer grapefruit market? Might the new varieties being examined or developed in Spain affect the southern hemisphere orange and easy peeler seasons?

For reasons of climate, the supplying of the European citrus market from the beginning of June to the end of September is based on the southern hemisphere exporting countries. The season is over for the Mediterranean countries and for Florida, with the exception of a few batches in cold stores. Tropical produce available all the year round does not possess the commercial features sought on the EU market, especially as regards peel colour. The period running from April to June is that of a major shuffle of references in supermarkets as northern hemisphere production is not large enough or of poor keeping quality.

Growing volumes and an increasingly varied range

The counter-season market has developed considerably, especially in the 1990s. Imports oscillate very strongly from one year to the next because of alternate bearing in the northern hemisphere producer countries, and totalled 900 000 tonnes in 2003 and 980 000 tonnes in

2004. The 2005 figure approaches 1.1 million tonnes but is uncharacteristic as a proportion compensated production loss caused by frost in Spain and Morocco. Southern hemisphere citrus thus formed approximately 20% of the 4.8 million tonnes traded in the EU (imports from third countries + shipments from EU producer countries) and 10% of average annual EU consumption (about 2.5 kg per person of a total of 22 kg per person). It is true that 10% might appear to be a small figure, but it should be reminded that the market context is very different to that of the winter season with regard to both meteorological features and competing fruits. Consumption is also stronger in the summer in the northern European countries—where summer fruits are not grown—than in southern Europe. The range of varieties has also become broader. Easy peelers have become an integral part of counter-season supplies since the early 1990s. Likewise, countries like South Africa have shipped a full range of oranges for several years, with the varieties including 'Navel', 'Navelate', 'Valencia Late', 'Delta', 'Midknight' and 'Tomango'.

This market seems to be operating smoothly. However, several factors could lead to radical changes in the market slots currently available to southern hemisphere producers.

The impact of the problems in the Florida citrus sector on the summer grapefruit market

In recent years, the southern hemisphere grapefruit market has succeeded in holding up against the decrease in consumption that has hit the October to May sales period. Volumes have peaked at about 140 000 t since the mid-1990s. This performance is excellent when compared with the steep fall in the quantities sold by northern hemisphere origins from about 320 000 t in the mid-1990s to 220 000 t in 2003. As one man's joy is another man's sorrow, the Florida citrus sector's current problems may allow the summer players—with South Africa and Argentina in the forefront—to strengthen their presence in the European Union. Until the 2003/2004 season, Florida shipped between 45 and 50% of the European market's grapefruit supplies during the 'winter' period. Production collapsed in autumn 2004 as a result of the sanitary and economic problems already discussed at length in *Fruitrop* (explosive spread of citrus canker, the appearance of greening and urban spread). A study published by the FDOC (Florida Department of Citrus) in March 2006 sets out several scenarios for the development of production until 2020 and all mention a total of less than 25 million 85-lb field boxes, in compari-

Citrus — EU-15 — Consumption in 2003 — kg per person

	Total citrus consumption	Consumption of southern hemisphere citrus (SH)*	SH share in %
Grapefruit	0.9	0.3	37
Easy peelers	5.2	0.3	6
Orange	11.0	1.4	12
Lemon	2.9	0.6	19
Total	20.1	2.6	13

Source: FAO, CLAM, Eurostat

*: June to September imports from SH origins minus extra-EU re-exports

son with 40 million in 2003/2004, the last 'normal' season. The volumes available for export may well be limited as a result, even if those for processing are reduced considerably. Florida shipped less than 2.5 million 42.5-lb boxes to the community market in 2004/2005 and 2005/2006 after running at 6 to 7 million boxes previously.

What relation does this have with the southern hemisphere season? As was the case in 2004/2005 and 2005/2006, the Florida season should finish in mid-May rather than in mid-June as it did before. As a result, Turkey, and above all Israel which generally targets the end of the season, should also finish their seasons in advance, thus allowing the southern hemisphere to take over earlier.

A development opportunity—but with certain conditions

It can therefore reasonably be considered that the market window could tend to become larger, but two important points should be stressed. Firstly, the increase in Mediterranean production could change the pattern. Turkey is already producing more, as is shown by the spectacular increase in exports in 2005/2006. In parallel, replanting was in full swing in Israel in 2005, but in zones more likely to supply the market at the beginning of the winter season. These origins could make up for the Floridian shortfall at the end of the season as long as the quality of the fruits is satisfactory. Secondly, the shortage of fruits does not mean that buyers are less fussy about quality. Ripeness is a key point that is also in exporters' interest. Experience

shows that too early a start to the season with the shipping of immature fruits is a bad tactic. The resulting decrease in consumption weighs on the whole of the season. Likewise, exporters should be aware that the scope for selling small fruits (sizes 50/55) will remain limited.

Orange, the leading market for southern hemisphere producers, but desired by Spain

Prospects on the orange market seem much less favourable for the southern hemisphere, where South Africa is the leader. On the one hand, after a decade of growth in the 1990s, imports have peaked at about 500 000 tonnes since the turn of the century. On the other hand, the shadow of Spain, the world's leading fresh citrus exporter, hangs over this market. A few general comments on this origin and a dose of history are necessary here. Spain has based most of its success on the search for and rapid dissemination of new varieties at the production stage through research work conducted at the IVIA and the distribution of plant material certified by AVASA. The approach has the twin aim of lengthening the season and improving the quality of the fruits marketed. The explosive increase in exports of easy peelers from 1.5 million tonnes in 1994/1995 to 2.2 million tonnes in 2004/2005 is a clear illustration of the growth potential resulting from the strategy. The same pattern has been developed for the late orange market, where supplies consisted of almost only one variety and of practically only juice oranges ('Valencia Late') until the end of the 1990s. 'Lanelate', a high-quality table orange bred in Australia, quickly

gained a position on the market as it completed the range. Volumes increased strongly in the early 2000s, reaching nearly 500 000 tonnes in 2005/2006.

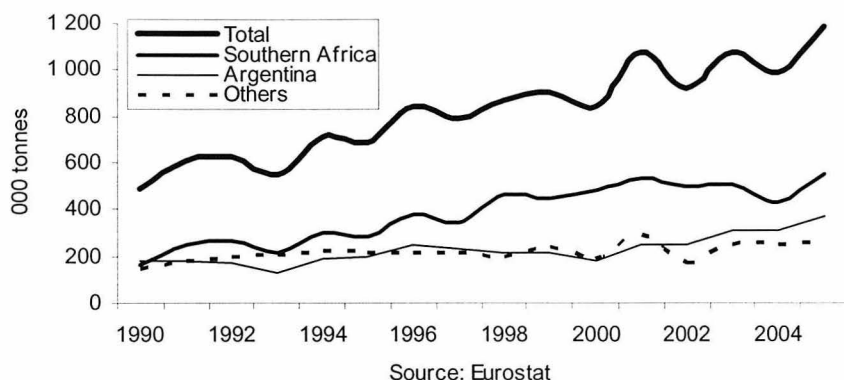
However, this variety does not encroach much on the southern hemisphere season, that generally starts with the arrival of the first large volumes of 'Navel' from South Africa at the end of May/beginning of June. The situation may well change noticeably with the rapid development in Spain of the very late 'Powell Summer Navel' that ripens in May and could be marketed until June. In October 2005, AVASA counted more than 1.6 million certified seedlings sold, mainly in 2004 and 2005. In the present context, this strategy of lengthening the season seems to be not only a development tool but also a key factor in the economic balance of the sector. Easy peeler production seems to have been too large in the heart of the season (November and December) for two years now and a recent study by the farmers' union UNIO-COAG forecasts that Spanish production will increase by a third in the next ten years, while it already attained 5.1 million tonnes in 2005/2006. South African, 'Navel' might well be faced by a serious competitor by the end of the decade.

Spanish producers also seek earlier fruits. Thus, 'Fukumoto', a variety bred in Japan and that ripens before 'Naveline', is being tested. Nevertheless, the development of this variety that is a potential competitor for summer 'Valencia' is far from being as complete as that of 'Powell'. 'Fukumoto' still has to prove its worth and plantations are modest so far (some 100 000 certified seedlings were sold at the end of 2004). The juice orange sector has not been left out. 'Barberina', whose merits include later ripening and a higher juice content than 'Valencia Late', might also interest growers.

Mediterranean producers are also interested in the summer easy peeler market

The European summer easy peeler market differs from the two preceding markets in its strong and steady

Counter-season citrus - EU imports



growth. Imports totalled some 20 000 tonnes at the end of the 1980s and exceeded 170 000 tonnes in 2004. However, this dynamism should be seen in perspective as it is generated by the United Kingdom alone. Imports by countries in continental Europe have been stable since the end of the 1990s. Furthermore, although the sharing of the grapefruit and orange markets between origins has changed little in recent years, South Africa's supremacy in easy peelers is now contested. Chile, and Peru even more so, have become solid players, especially in clementine, after shipping marginal volumes at the end of the 1990s. But as on the orange market, the Mediterranean origins may considerably modify the supply structure. Spanish producers have worked on extending the easy peeler season and the early stages are now well-mastered. 'Clemenrubi', a high-quality clementine that ripens at the end of September/beginning of October, may bite into the end of the late easy peeler season in the southern hemisphere ('Ellendale' from Argentina in particular). The variety has been planted widely since 2004 when it formed more than 50% of total sales of certified easy peeler seedlings. The spring market is also targeted, in particular with varieties from California such as 'Golden Nugget' and triploids such as 'Tahoe Gold', 'Shasta Gold' and 'Yosemite Gold'. These were registered officially by IVIA at the beginning of April. In a few years time they may be reference products from March to May that could probably easily stand comparison with the early varieties from the southern hemisphere (such as 'Okitsu' from Argentina for exam-

ple). Other Mediterranean countries such as Israel and Morocco are also working along these lines.

Keep your eyes on demand for lemon

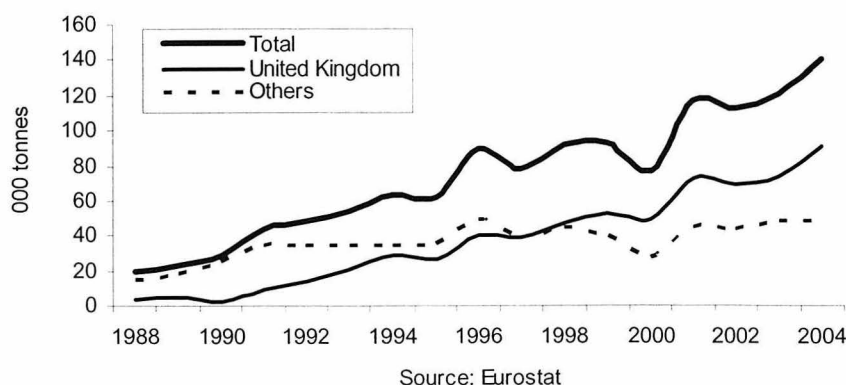
The summer lemon market has also grown substantially. Imports increased from some 40 000 t in 1990 to 200 000 t in 2003. EU summer lemon consumption increased considerably during this period. However, Spanish production has increased spectacularly, especially since the mid-1990s (from 600 000 to 650 000 t to more than 930 000 t in 2002/2003 and 2003/2004). However, Argentina, the leading supplier, and the outsider South Africa both ship the 'Eureka' variety that is recognised by a large proportion of professionals as being of better quality than 'Verna'. However, the market seems to have attained a certain maturity and the decrease in imports in 2004 seems to be a sign of this. It is true that other factors

also played a role that year (small production and fruit size because of drought in Tucuman and the strengthening of sanitary controls at the import stage in the EU), but demand did seem to be dull. The increase in imports to 300 000 t in 2005 should not be interpreted as the resumption of growth but is the result of conjunctural features (massive losses in Spain as a result of frost). The unprecedented slump experienced by producers in Murcia since the beginning of the 2005/2006 winter season seems to confirm this slowing. It is true that competition from Turkey on the eastern European markets makes a definite contribution. However, it seems clear that consumption is decreasing on a number of large markets. Data supplied by the SECODIP consumer panel shows that sales were 10% smaller than the three-year average from October to December 2005. Germany also seems to be affected. Southern hemisphere producers should therefore keep an eye on the demand and consumption aspect as the Spanish sector has not applied the same energy in varietal questions as for easy peelers and orange. It is true that the situation has been fairly comfortable until recent years and did not encourage innovation. But times have changed and a varietal renovation programme has been launched.

Increasing competition from the Mediterranean in the medium or long term

Although the market window for grapefruit may widen for the southern

Counter-season easy peelers - EU imports



Counter-season citrus — EU imports — 2003/2004 average in tonnes

	Orange		Easy peelers		Grapefruit		Lemon		Total	
	Volume	% share	Volume	% share	Volume	% share	Volume	% share	Volume	% share
South Africa	282 345	59	52 227	39	81 889	59	31 080	12	447 542	45
Argentina	72 506	15	28 925	22	23 053	17	204 161	80	328 646	33
Uruguay	54 025	11	26 418	20	574	0	9 236	4	90 254	9
Zimbabwe	24 371	5	1 050	1	2 050	1	446	0	27 917	3
Cuba	19 072	4	-	-	6 220	4	-	-	25 293	3
Swaziland	15 994	3	780	1	5 797	4	16	0	22 587	2
Mexico	-	-	-	-	6 497	5	9 220	4	15 716	2
Peru	54	0	12 979	10	-	-	99	0	13 132	1
Chile	2 943	1	9 421	7	103	0	319	0	12 786	1
Honduras	-	-	-	-	11 852	9	-	-	11 852	1
Brazil	6 113	1	-	-	300	0	96	0	6 509	1
Australia	1 427	0	767	1	79	0	35	0	2 307	0
Total	478 850	100	132 568	100	138 415	100	254 706	100	1 004 542	100

Source: Eurostat / NB: 2003 only for South African grapefruit

hemisphere, it seems that Mediterranean competition may well increase in the medium or long term for orange, easy peelers and lemon. The issue is an important one as a fruit like orange, where competition from 'Navel Powell' from Spain should be marked by the end of the decade, currently forms more than 50% of imports.

Optimisation of produce and service quality and costs is necessary

Unsurprisingly, the conservation of southern hemisphere market shares in the European Union requires high quality produce and service and close cost mastery. Perfect control of these parameters is all the more important as southern hemisphere producers and exporters have little or no influence on other factors of capital importance such as freight and exchange rates. Varietal innovation is doubtless a key feature and South African producers seem to have devoted much work to this. It should also be mentioned that southern hemisphere producers should provide an extra something in comparison with their Mediterranean counterparts. Indeed, it is very probable that European distributors will favour a continuation of existing referencing rather than the starting of a new 'southern hemisphere' line at a time when citrus fruits are far from being strategic product.

Increased search for diversification markets

In this context, the search for diversification markets is taking on a special pattern. Most of the southern hemisphere origins have been energetic here. Firstly, South Africa and Argentina have had strong positions in eastern European countries outside the EU (especially Russia) for a number of years. These countries still have considerable scope for growth. The same applies to the eastern European countries that joined the EU in 2004 and where consumption is still markedly low (11 kg per person per year in 2001/2002 in comparison with an average 22 kg in the EU).

Other destinations also have strong growth potential. South African exporters have been shipping fruits to Japan since the early 1990s (about 95 000 t in 2003 and 2004) and to the United States since the beginning of the century (40 000 to 45 000 palettes scheduled this year according to *Reefer Trends*). The Chinese market opened in June 2004 and negotiations are in progress to make the very strict procedures more flexible (especially with regard to measures for protection against *Cryptophlebia* larvae). Likewise, Argentinian exporters have made efforts in trade prospection but remain more dependent on the European market (EU and eastern Europe) than the South Africans.

Negotiations have resumed with the US authorities to re-open the market that was closed at the end of 2001. A protocol for the opening of the Chinese market was signed in 2004 for easy peelers, orange and grapefruit). The first shipments totalling about 300 palettes were delivered in 2005.

A twin challenge

The Mediterranean countries, and especially Spain, are launching a challenge to southern hemisphere producers as the economic balance of their citrus sector requires a greater spread of production. They possess advantages that can be used in the medium or long term to take EU market shares from African or South American origins, especially in easy peelers and orange. The progress made in countries outside the European Union by South Africa and, to a lesser degree, by the Latin American countries is an advantage for taking up the challenge. The prospect of lastingly smaller production than that currently observed in Florida may also open up prospects for development on the concentrated juice market (this point will be discussed shortly in *Fruitrop*) ■

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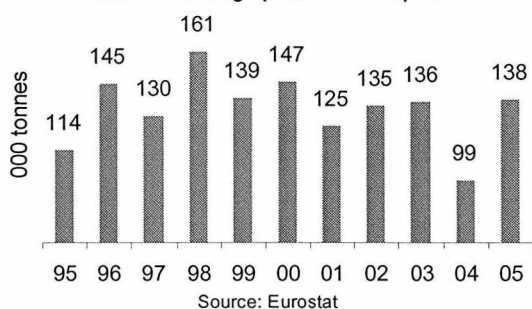
Counter-season citrus — European imports

Counter-season grapefruit — EU imports — Tonnes

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total, of which	113 542	144 781	129 573	160 618	138 732	146 588	124 867	134 704	136 239	99 490	137 840
Southern Africa	67 390	74 532	68 097	110 423	87 897	108 231	76 752	96 653	85 443	57 617*	95 565
Honduras	568	15 824	15 685	12 313	15 227	11 934	10 643	8 912	9 862	13 547	12 340
Argentina	29 302	30 997	27 453	24 863	19 943	14 456	19 084	18 882	24 504	19 435	23 154

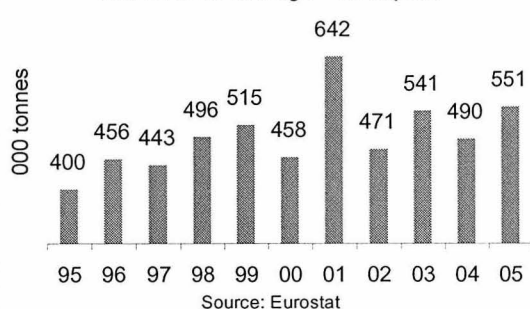
Source: Eurostat (code 080540) / * to confirm

Counter-season grapefruit — EU imports



Source: Eurostat

Counter-season orange — EU imports



Source: Eurostat

Counter-season orange — EU imports — Tonnes

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total, of which	400 171	455 908	443 417	495 659	514 939	458 306	641 717	471 353	541 119	489 598	551 376
Southern Africa	182 865	249 273	232 800	306 878	302 524	316 401	368 063	327 379	344 992	282 675	362 656
Argentina	65 421	73 438	74 705	72 957	53 324	31 454	81 157	59 659	64 207	78 018	73 183
Uruguay	49 739	37 175	46 350	49 698	51 623	25 518	48 520	38 664	55 325	51 776	73 484

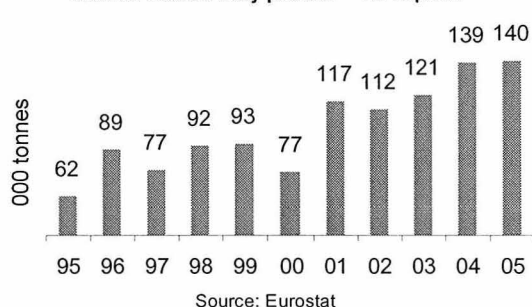
Source: Eurostat (code 080510)

Counter-season easy peelers — EU imports — Tonnes

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total, of which	62 085	88 870	77 201	91 507	92 641	76 504	117 044	112 016	120 786	138 937	140 155
Southern Africa	23 210	36 899	29 943	36 795	47 775	36 545	59 689	47 922	51 557	54 609	51 532
Argentina	20 198	25 946	23 855	22 072	20 569	16 408	20 618	27 452	22 656	31 549	24 566
Uruguay	13 314	19 785	19 255	28 091	19 443	15 203	24 594	18 562	27 089	23 314	29 580
Peru	36	632	391	21	377	752	4 743	8 639	9 154	16 555	24 637
Chile	421	1 358	366	2 117	2 498	4 305	5 102	7 389	7 825	10 328	6 620

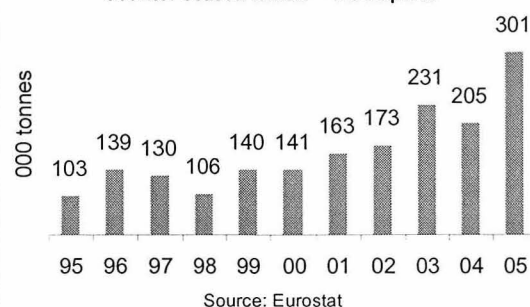
Source: Eurostat (code 080520)

Counter-season easy peelers — EU imports



Source: Eurostat

Counter-season lemon — EU imports



Source: Eurostat

Counter-season lemon — EU imports — Tonnes

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total	102 777	139 406	130 066	106 085	139 568	140 688	163 371	173 125	230 697	204 910	301 137
Argentina	81 380	117 929	105 258	91 222	119 937	115 646	129 133	145 221	199 297	161 410	244 598
South Africa	7 183	14 114	14 199	8 572	10 874	18 569	22 856	22 542	23 816	34 700	43 116
Uruguay	14 214	7 363	10 609	6 291	8 757	6 473	11 382	5 362	7 584	8 800	13 423

Source: Eurostat (code 080550)

Grapefruit

Orange

Easy peelers

Lemon