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English version

CLOSE-UP:
CITRUS

Prices of fruit juices
and pulps in Europe

Litchi from Madagascar
A very early season



Spanish citrus Report on the 2007-08 season

A mixture of satisfaction and concern among producers

Spain has a special position in the international citrus market as it controls nearly a third of the volumes traded in the world. In addition to its title of leading world exporter, attention should be paid above all to measuring the structuring role that it plays on the major world markets during the winter citrus season, starting with Europe. The prices of the easy peelers, oranges or lemons sold in France, in the Czech Republic or in Norway depend to a considerable degree on the size of the Spanish harvest. It is therefore easy to understand the interest of closely monitoring evolutions in the sector. Is the return to profitability in 2007-08 after a series of disastrous seasons the sign of lasting better health of the citrus growing sector? We review the situation here after a succinct reminder of the size and main features of the sector.

Varietal innovation and internationalisation are the keys to success

The spectacular growth of the Spanish citrus sector is based above all on the produce itself. Firstly, the special climate in the western Mediterranean, with cool winters, makes it possible to grow oranges and easy peelers with characteristic colour and taste appreciated for the good sugar:acid balance. Furthermore, Spanish professionals succeeded in developing a first-rate range of oranges and, even more so, easy peelers. Breeders have sought varieties that extend the season and improve organoleptic qualities (colour at the beginning of the season, seedless, size, etc.). For this, the sector built up facilities for the breeding, evaluation and rapid distribution to citrus growers of high-quality plant material that comes into production rapidly thanks to top-grafting techniques. Finally, Spanish exporters have been pioneers in the opening of many new markets. With a natural trading area

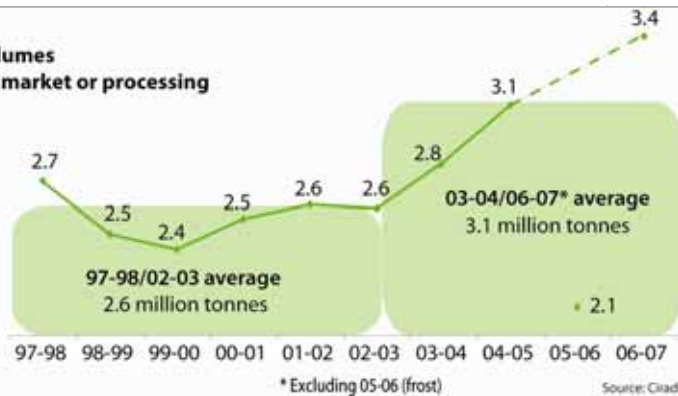
consisting of the countries in the western EU, they have gradually enlarged their customer portfolio to include the countries in Eastern Europe, then the United States and, more recently, Asia. Today, the Spanish sector has no fewer than 90 customer countries with EU-15 forming about 80% of its market.

A long period of plenty followed recently by a serious growth problem

Spanish production increased tremendously to cover this market growth, moving from less than 3 million tonnes at the end of the 1970s to more than 7 million tonnes in the record 2006-07 season. However, the development model that conferred its success seems to have got somewhat out of control. First, competition from other production sources grew sharper, especially for oranges and above all lemons on the Eastern European markets. Second, the very good economic results achieved with easy peelers in the early 1980s caused an impressive increase in production, but this was greater than the nonetheless noteworthy increase in demand. Thus, the period running from November to January, with the peaking of supplies of 'Nules', among the most commonly planted varieties, has become very risky. The market can become saturated very quickly, especially if consumption is affected by too warm an autumn. The worsen-



Spain - Citrus
Movement of volumes
for the domestic market or processing
In million tonnes



ing situation can then spread and affect the orange trade, where sales come into competition with too many easy peelers.

This disaster scenario goes a long way towards accounting for the catastrophic economic results of a large proportion of growers in 2005-06 and 2006-07, when the three main growers' associations UPA, AVA-ASAJA and UNIO-COAG, announced losses of hundreds of millions of euros. AILIMPO, the lemon and grapefruit interprofessional association, reported that about 20% of lemon production was left unpicked for lack of commercial outlets during these two seasons.

Back in the black in 2007-08 but no consolidation of structures

The 2007-08 season, with a small harvest, was marked by a return to decent economic results for all the stakeholders in the sector. Export prices are reported to have increased by nearly 21% in comparison with 2006-07, more than compensating the decrease of some 20% in the volumes exported. However, this good news seems to be conjunctural and is not a sign of the strengthening of the structure of the sector. On the contrary, certain recent information seems fairly alarming.

A lasting rebalancing of negotiating power in the sector?

Good years are not propitious for calling things into question and very few concrete measures

were implemented to handle the lemon crisis during the 2007-08 season. The only one that can be reported is certainly the setting up of an official watch ('lonja de citricos') of prices at production of clementines and oranges, combined with a diffusion system open to all sector stakeholders via the websites of agricultural organisations (associations like asaja: <http://www.avaasaja.org>, the Valencia regional chamber of agriculture: <http://www.agricultura.gva.es>, etc.). The lemon sector already had a similar system set up by AILIMPO. The measure is aimed at strengthening growers'

negotiating power and better distributing the value-added within the sector. The system of sales according to results, that is to say with no guaranteed price for the grower, is targeted by the supplying of an easily accessible official reference price. However, it is difficult to say whether the indubitable decrease in this type of selling in 2007-08 is the result of the new facility or a natural strengthening of growers' power in years when the harvest is small. The harvest in

the 2008-09 season is much more generous and will probably be a good test.

However, it is clear that the 2007-08 season did not bring production and the trade closer together. INTERCITRUS, the clementine and orange interprofessional association, is close to explosion as the production college is claiming that there is partiality in favour of traders.

Control of Mediterranean fruitfly is a central question

Ensuring the absence of live forms of fruitfly (flies or larvae) is a capital issue for the exports that form most of the profit-

ability of the Spanish citrus sector. This is a condition for access to the large and lucrative US market and to the zones in Asia with high development potential (China, etc.). New risk factors now make control more complicated.

First, might the end of direct aid for processing as a result of the reform of the Common Agricultural Policy risk leading to an increase in the fruitfly population in orchards? Certain professionals fear that with an inadequate economic return from industry, growers will no longer take the trouble to collect fruits not sold on the fresh



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market and these might become the site of serious additional outbreaks. The threat is all the more serious as the recent restriction of the use of Malathion, the main insecticide used in fruitfly control, mean that new control techniques must be designed. Methods to replace now-banned aerial spraying based on rationalised ground methods and the control of population growth by the release of sterile males have already been tested. However, they must now prove their efficacy on a large scale. As a result and given the scale of production, the decision taken by INTER-CITRUS to forbid the harvesting in 2008-09 of the smallest sizes of easy peelers and oranges was greeted with concern by a large proportion of professionals.

Worry with regard to the sustainability of the industrial sector?

Another reason for worry is the end of direct aid for the processing industry on 1 January 2008. It should first be underlined that a worthy intention lies behind the measure as it should rebalance a situation clearly in favour of the processing industry. However, the measure must not threaten

the sustainability of the latter, which is a vital sector even if Spanish production, and that around the Mediterranean in general, is aimed at the export of fresh fruits. The processing industry is a complementary feature that can use sorting rejects, an essential aspect for ensuring the competitiveness of supply on the fresh fruit market. The transitory regulation ensures supply of the juice industry until 1 January 2010; producers must deliver 2.3 tonnes of oranges and lemons and 1.3 tonnes of easy peelers and grapefruit per hectare to qualify for aid. However, after this date how can industry offer decent, inciting payment to growers and cover its other costs when the sales price of its products will henceforth depend only on an extremely competitively world market? The problem is a complex one, especially in a country with high labour costs and smaller economies of scale than the gigantic orange juice factories in Brazil and lemon juice factories in Argentina that can achieve throughputs of more than 15 000 tonnes per day. The international market should remain fairly firm in the future (see article) and will probably play a positive role. In addition, Florida is another place with high production costs and has had to solve a similar equation by rationalisation of facilities and strong segmentation of supply, with stress on NFC juices. Getting away from the world concentrated juice market, manufacturing cus-

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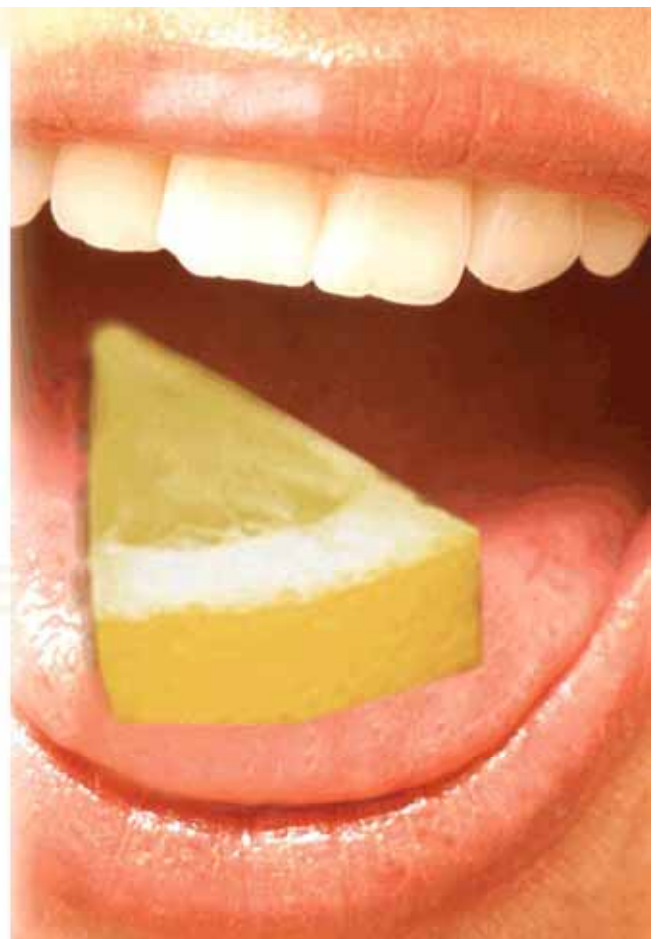
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tomised products and providing good service for customers (short delivery periods, etc.) should certainly be examined. Certain juice processors want a much more radical solution, with their work being considered as a waste management service, at the sector's expense of course!

Changing varieties: the driving force behind Spanish growth is in trouble

According to the nurserymen's association in the Community of Valencia (AVASA), sales of certified plants had varied between 4.8 and 5.3 million per year since the end of the 1990s but began to decrease in 2005-06 (4.3 million) before falling to 2.2 million in 2006-07. It is true that the figures show that the orchard growth slowed for orange and was interrupted for easy peelers, with the latter displaying a decrease of some 2 000 ha from 2006 to 2007 in the Community of Valencia, i.e. a little more than 2% of the area. However, this natural adjustment does not seem to be sufficient to solve over-production problems experienced in Spanish citrus growing. The sector requires a more powerful lever for the rapid reduction of excess easy peeler production from November to January.

But above all, might not a continuation of the trend risk endangering the very foundations of the success of the Spanish citrus sector? Spain succeeded in substantially increasing the volumes sold by considerably lengthening the season thanks to varietal innovation in easy peelers and oranges and diffusion to farms while improving the quality of the fruits shipped by replacing mediocre cultivars like 'Marisol' by improved varieties such as 'Oronules' and 'Clemenruby'. In addition to delays in varietal replacement, the situation has already considerably weakened one of the key parts of the sector—nurseries. Of the 38 establishments in the Community of Valencia, about ten have already closed and many other bankruptcies are expected in the near future.

A plan designed to save the situation

The whole sector therefore paid great attention to the publication in the Spanish Official Journal of 3 November 2008 of the much awaited 'Varietal Renovation Plan'. The difficult economic situation experienced by Spain—like the other EU countries—has perhaps encouraged the government to adopt this plan that has been examined for several months or perhaps years. In addition to the importance of maintaining the sector because of its size (300 000 families live directly from citrus growing in the Community of Valencia alone), the strong slowing of the building industry is releasing labour that could perhaps find work in farming.



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A lack of guidance from the regions?

The aim of the plan is to attack the causes of the crisis by subsidising the varietal reconversion of 18 000 hectares of plantation. It is based on the simple observation that whereas the market is more than saturated with lemons and easy peelers in November-December, there are probably opportunities for developing consumption—and especially that of oranges and easy peelers at the end of the season. All families of citrus fruits are eligible insofar as the plantations are of commercial

standard (minimum area and density, etc.). The main condition required for farmers to be able to benefit from the measures is that reconversion makes it possible 'to improve the overall quality of citrus supply'. It can be seen that the Spanish government has only provided a rough pattern in this 'royal decree'. The targeting of the varieties to be reconverted is of capital importance if the plan is to have a degree of effectiveness, and is left to the chambers of agriculture of the autonomous communities; these will then have the task of handling the applications from farmers and judging the appropriateness of each one.

In this context, these bodies will probably have to be directive in order to concentrate efforts on the varieties whose production is excessive;

these are real efforts but nonetheless concern only about 5% of the Spanish citrus orchard area. Part of the lemon and 'Nules' clementine areas must be targeted. In addition, the chambers of agriculture must also guide reconversion towards a market window in which there is still room for growth, that is to say mainly spring easy peelers and dessert oranges. However, the latest information gathered seems to indicate that nothing will be imposed on farmers.

The budget is too slender

Can the plan be truly effective in this context? The question can be asked, especially as a fair number of growers consider that the scale of the subsidy is not much of an incentive as at best it covers a quarter of the total investment in reconversion. Thus, the smallest growers, who form the foundation of the sector in the Community of Valencia, may well not participate, especially as the economic crisis has made banks more reluctant. In addition, the limit of 18 hectares of land eligible for subsidy means that large growers cannot carry out large reconversion. Enthusiasm is not great in the Murcia region either, whereas its lemon sector was one of the first affected by the crisis. Ailimpo estimates that a maximum of 3000 ha could be switched to orange and to a lesser extent, grapefruit. Twice this would probably be necessary to settle the over-production problem in a lasting manner. The grubbing up plan is therefore still topical and its implementation will depend on the goodwill of the hitherto reticent public authorities in the region.

Is the planting material ready?

The technical problem of the degree of preparation of the substitute varieties is added to the two problems mentioned above. In oranges, 'Lanelate' and the 'super-late' varieties such as 'Powell' are well mastered but is the same true for easy peelers? The available range of innovative varieties for the spring is still very limited.



It seems that the triploids that should normally make it possible to cover this market window still have to prove their value before planting on a large scale. The variety from which a large proportion of these cultivars were bred is 'Fortuna', a cultivar strongly susceptible to *Alternaria* and caution is needed. The time scale needed by the research sector to find reliable solutions is not always compatible with the requirements of growers or politicians.

Determination to continue to gain footholds on new markets

However, export dynamism is a factor of confidence in the Spanish citrus sector. Exporters are still multiplying initiatives to increase their presence on new markets. Russia is the main target. The start of exports by sea in 2006-07 has made it possible to step up shipments strongly, and especially shipments of easy peelers. The Valencian government was to have amplified this initiative by supporting the starting of a regular line using containers but has shied off. It is true that the sharp increase in competition from Egypt, Turkey and Morocco is such as to make people timid. The Chinese market has since opened and is targeted, with this time perhaps the support of the authorities for the opening of the regular line needed to reduce transit time.

This brief review shows that appearances are sometimes misleading. The positive results of the 2007-08 season seem to have strong conjunctural causes. In addition, the very heart of the sector—varietal innovation—is affected by the strong decrease in plantings. Finally, factors over which the sector has no control are making the situation worse, such as the increasingly serious drought and higher energy costs, which have an impact on both the cost of agricultural impacts and that of the transport of fruits. The idea of an orchard restructuring plan is undoubtedly a good one. But there are probably weaknesses in the project put forward by the Spanish authorities. Although the shortage of means can be understood, the lack of orientation towards the citrus varieties or groups most touched by the crisis, that is to say high-season clementine and lemon, can be deplored. Furthermore, the necessary restructuring of the trade sector has not been covered (the Murcia region has 100 packing stations, that is to say an average of 6 500 tonnes handled per station!).

Nevertheless, this plan has the merit of indicating the right direction. It is up to growers to take the future of the sector in hand. It is urgent, especially as the economic crisis will probably not improve the consumption aspect ■

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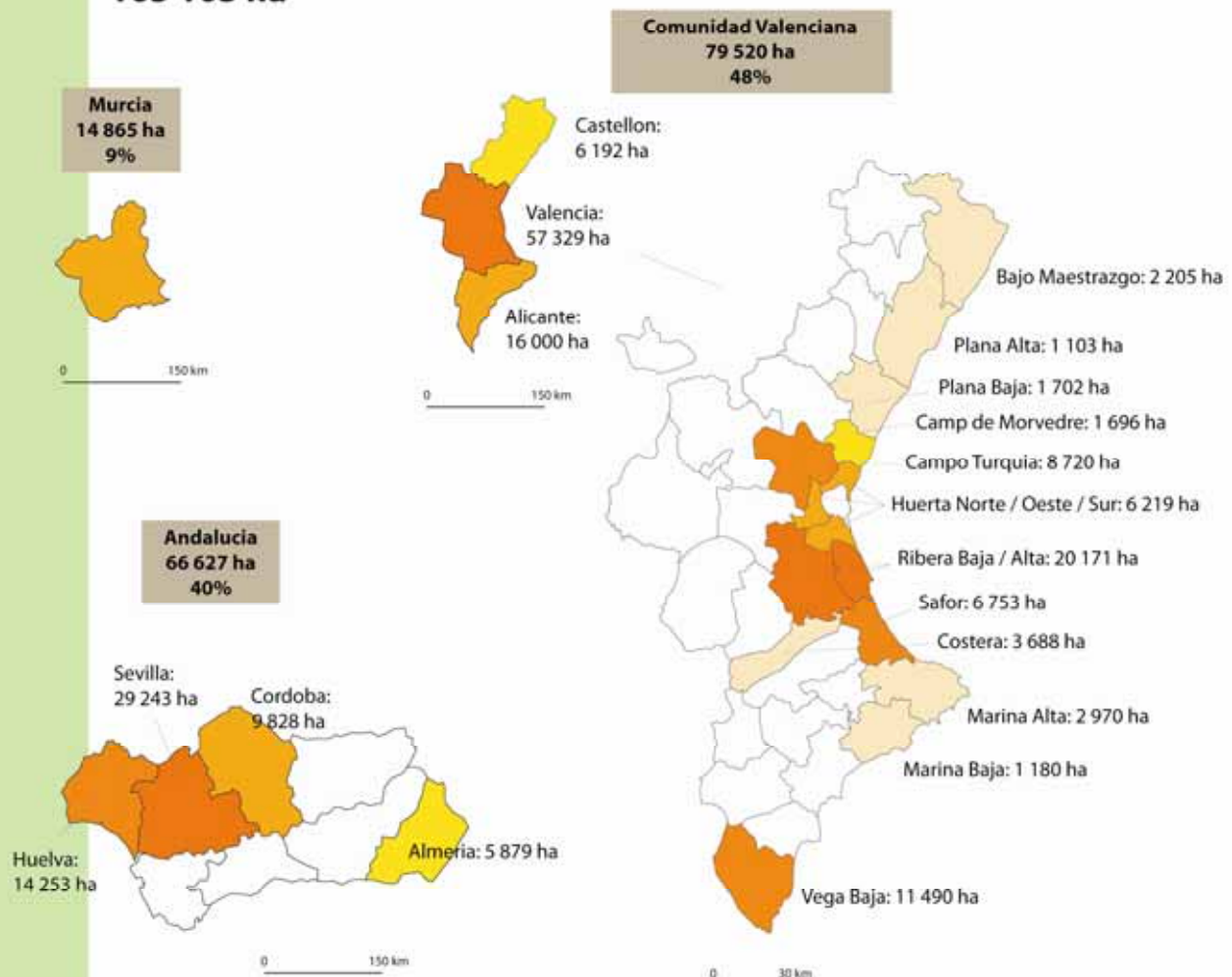
CITRUS IN SPAIN



**Spain - Citrus
Production area
Total: 332 110 ha**



**Spain - Areas - Orange
165 103 ha**



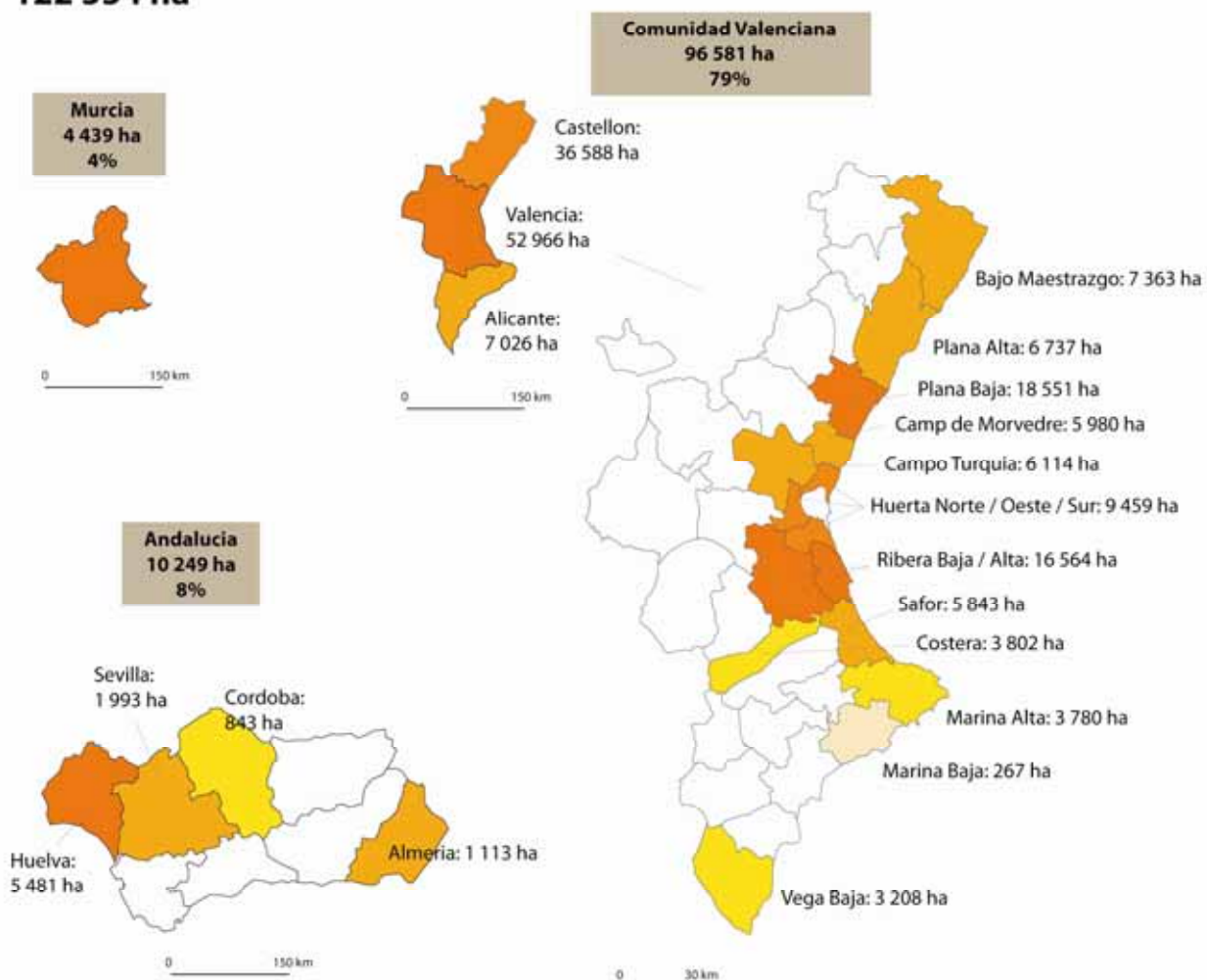


Spain - Citrus areas by region

Hectares	Orange	Easy Peelers	Lemon	Grapefruit
Total	165 103	122 554	43 264	1 190
Comunidad Valenciana	79 520	96 581	10 563	525
Alicante	16 000	7 026	10 521	11
Castellon	6 192	36 588	10	-
Valencia	57 329	52 966	32	-
Murcia	14 865	4 439	26 069	477
Andalucía	66 627	10 249	6 066	188
Sevilla	29 243	1 993	83	11
Huelva	14 253	5 481	84	-
Almería	5 879	1 113	2 443	-
Córdoba	9 828	843	-	477
Cataluña	2 234	11 104	37	-
Islas Baleares	1 007	142	422	-

Source: MAPA - 2007

Spain - Areas - Easy peelers 122 554 ha

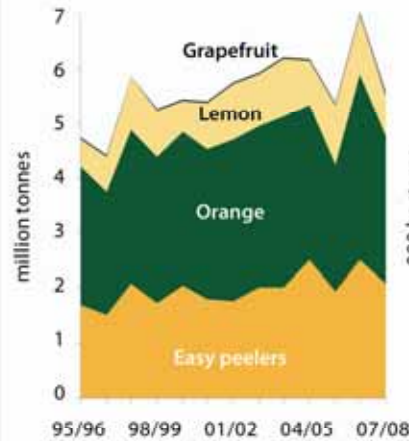
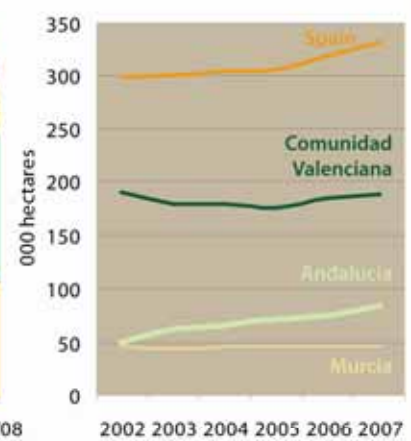
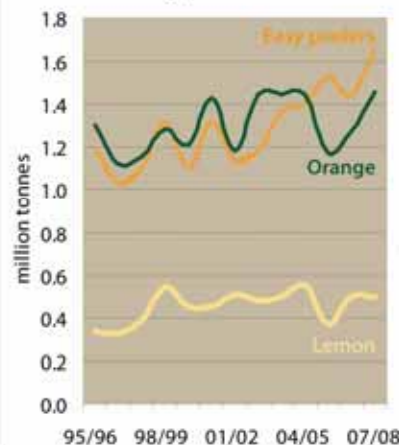
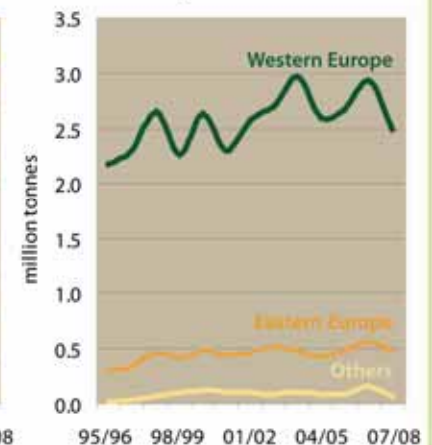
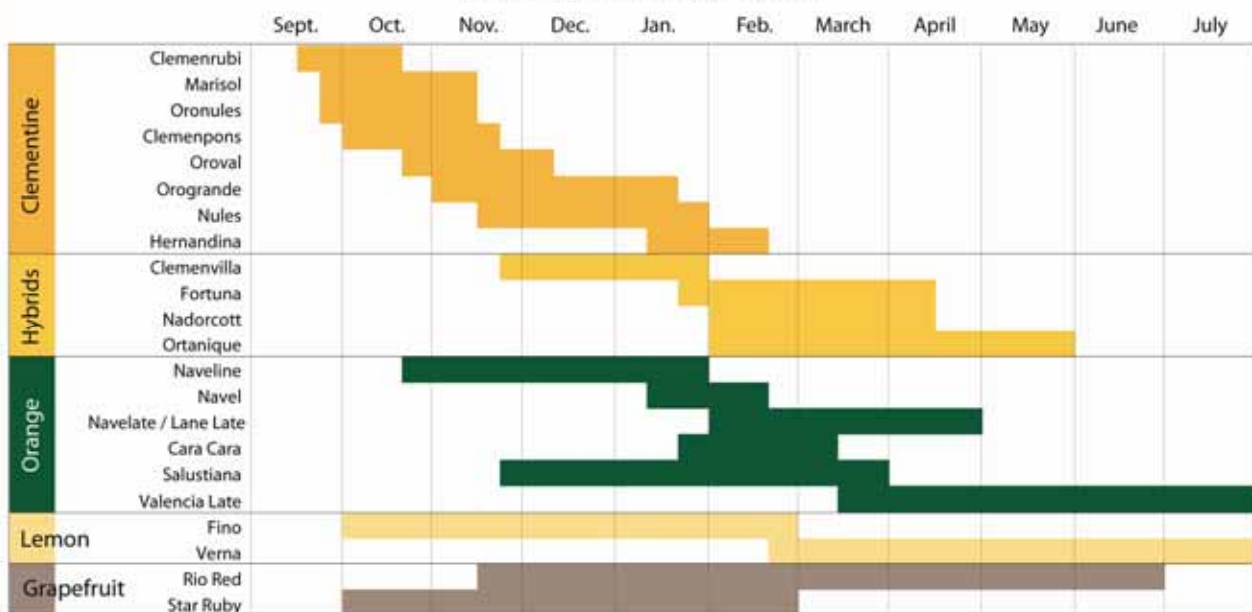


Graphics: Cirad - Chet Vincent

CITRUS IN SPAIN

**Citrus - World trade
2006-2007**

	World trade 000 tonnes	Spain Market share %	Main exporters 000 tonnes
Orange	5 370	27%	1 450 Spain 900 South Africa 760 Egypt 546 USA 264 Morocco
Easy peelers	3 300	50%	1 656 Spain 367 China 317 Morocco 312 Turkey 100 South Africa
Lemon & lime	2 000	25%	497 Spain 387 Mexico 355 Argentina 328 Turkey 116 USA
Grapefruit	1 000	4%	384 USA 215 South Africa 135 Turkey 78 Israel 37 Spain
Total	11 670	31%	3 640 Spain 1 215 South Africa 1 046 USA 794 Egypt 775 Turkey

Citrus - Production**Citrus - Areas****Citrus - Export****by product****by destination****Citrus - Spain - Supply calendar**

Graphiques : Chez Vincent - Criad