

Citrus in Uruguay

An export-oriented sector

The development of the citrus sector over the past 25 years is an example of export-led growth with the initiation of an investment and modernisation process. Several indicators reveal the movement: from 1980 to 1996 the area under citrus increased by 23%, the number of fruit trees by 33%, production by 115% and exports by 326%. Unfortunately, this boom period now seems to be over.

Production

Production totalled 359 000 tonnes in 1998, an increase of 13%, confirming once again the favourable trend in the production sector. However, the increase varied according to the type of citrus, ranging from 4% for lemons to 21% for easy peelers.

The share of oranges in production has been steady since the 1970s in spite of internal changes, in particular to the benefit of the varieties 'Navel' and 'Salustiana'.

The increase in the production of easy peelers is explained by the fact that the plantations established at the beginning of the 1990s—and consisting of varieties much sought-after on the world market—are now in full production. New plantations of the varieties 'Clementina', 'Nova' and 'Ortanique' should also be noted.

The tremendous increase in lemon production in the 1980s now seems to have steadied for a number of years.

The marked feature in grapefruit is the partial reconversion of white-fleshed varieties to coloured varieties such as 'Star Ruby' and 'Ruby Red'.

URUGUAY — CITRUS PRODUCTION				
'000 tonnes	1995	1996	1997	1998
Orange	127	141	166	185
Easy peelers	50	82	89	108
Lemon	45	36	51	53
Pomelo	9	12	12	13
Total	231	271	317	359

Source: Anuario OPYPA

Growers and stakeholders

A total of 626 producers are thought to be involved in the sector, together with about a dozen packing stations in operation. The main sector operators are:

Agrisur: a co-operative specialised in fruit production and marketing; it sells mainly lemons (60%).

Azucitrus owns 2 000 hectares of citrus plantations and a fruit processing plant with a capacity of 350 tonnes per day. It is the country's leading citrus exporter.

El Repecho S.A. possesses 500 hectares and is to install a packing station in the Quebracho region next year.

Milagro S.A., a subsidiary of the British multinational Albert Fisher, owns 1 100 hectares (of which 800 are now in production) planted in 7 estates and two packing stations (Young and Montevideo). It is the third largest exporter in the country.

Sandupay, the oldest company, grows fruit on 1 300 hectares and has a processing factory with capacity of 40 tonnes per hour. It exports some 12 000 tonnes per year.

Costa de Oro has 200 hectares and is participating with El Repecho in the packing station project.

Outlets

.. Production sales are shared fairly equally between the domestic market, the food industry and exports.

Domestic market

The domestic market is not only small (population 3 million) but also reaching saturation (stabilising at around 80 000 tonnes). The viability of the sector is therefore based essentially on the export sector.

URUGUAY — USES OF CITRUS PRODUCTION					
'000 tonnes	1994	1995	1996	1997	1998*
Production	250	231	271	317	359
Export	141	119	117	123	105
Industry	49	40	56	72	110
Domestic market/ losses	60	72	99	122	143

* provisional figures / Source: Anuario OPYPA

URUGUAY EXPORTS (EXCEPT LEMON)

Tonnes	1997	1998
Total, of which:	104 676	116 455
Orange	78 470	74 371
Easy peelers	23 508	38 857
Grapefruit	2 698	3 227

Source: El Pais Agropecuario 1999

Exports

Citrus is the second most important agricultural export sector after rice and one of Uruguay's oldest sectors to supply the international market. In spite of strong growth of production, export volumes display a weakening trend. Last year, exports totalled 130 000 tonnes, i.e. 47% of production. Uruguay is finding it difficult to produce export grade fruits (only 50% of production meets the conditions required). The increase in the proportion of easy peelers has not been enough to compensate for the fall in export sales of oranges and lemons.

In 1998, Uruguayan citrus were sold on 29 markets, especially in Europe. Sales to Russia and Asian countries fell by more than 70% in 1998, the drop in tonnage shipped to these markets being from a planned 69 000 tonnes to less than 20 000 tonnes.

However, prospects seem good in some countries. The United States is one of the leading citrus consumer (and producer) countries and displays strong growth potential. Other markets would seem to be attractive and should open up and develop in the future. Japan, China and various South-East Asian countries are in this category. Finally, the development of regional trade should not be excluded.

Industry

Fruit juice factories play a regulatory role, enabling the management of surpluses and unsaleable fruits. However, the low prices paid mean that this alternative is not particularly attractive.

URUGUAY - CITRUS
MAIN EXPORT DESTINATIONS

1998	Export chain	Main fruits
EU (NL, UK, Spain)	74%	oranges easy peelers
Eastern Europe (Russia, Lithuania)	13%	oranges lemons
Mercosur (Brazil, Argentina)	7%	easy peelers oranges
Rest of America (Canada)	3%	easy peelers oranges
Arab countries (Saudi Arabia)	2%	oranges lemons
Asia (China)	1%	lemons easy peelers

Source: El Pais Agropecuario julio 1999

The present position

The citrus sector is beginning to experience its first difficulties after a long growth period. Not only is it suffering from a problem of profitability, like all export sectors, but it has also had its own headaches—the El Niño climatic phenomenon, devaluation in Russia and Brazil, indebtedness, etc.

Costs

Production costs are assessed in \$US and have greatly increased (by between 35% and 45% over a period of just a few years) mainly because of the increase in the cost of labour. Indeed, citrus is the agricultural sector that employs the most labour, with 0.7 person per hectare. This is 12 times as much as rice and 15 times as much as in the dairy sector.

Indebtedness

Growers would have made a profit in 1998 if El Niño had not struck and reduced their incomes by 8.6%. Losses are estimated at a total of \$US 10 million. The quantity of unsaleable fruits increased by 60% from 87 000 tonnes to 140 000.

The exchange rates of the currencies of consumer countries aggravated the situation. The fall in European currencies, and especially the French franc, the Dutch florin and the Spanish peseta, against the US dollar is affecting the prices paid to exporters. The sector is greatly indebted. Debt servicing costs an estimated \$US7 million per year. This substantial expense is a handicap for the sector, which may make investment difficult in the future.

Competition

Increased production costs result in decreasing competitiveness in the sector. However, exports are necessary for maintaining or developing the Uruguayan citrus sector. The difference in competitiveness in comparison with South Africa, a direct competitor which has devalued its currency considerably (30% in two years), is becoming increasingly marked.

The major risk affecting the sector today is that of the change of these conjunctural problems into structural problems at a time when the sector still has substantial potential for development.

After a study by the *Poste d'expansion économique*, French Embassy, Uruguay