

Review of the 2003/2004 winter grapefruit season in the EU

No great shock, but a real flop

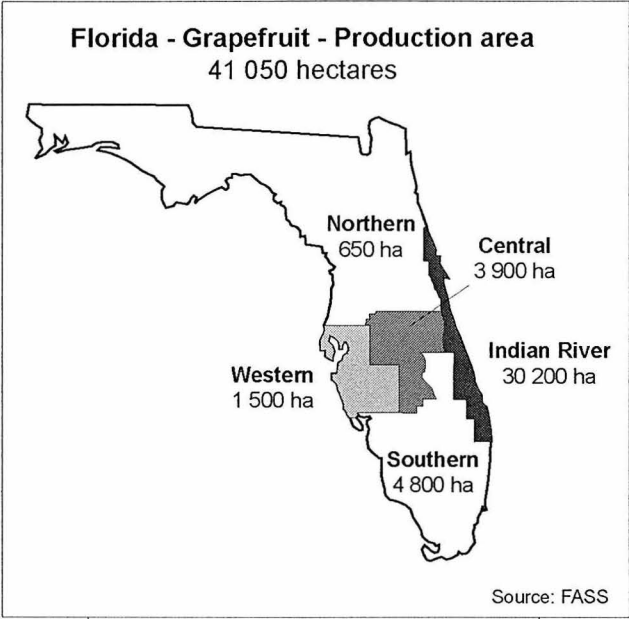
Take a favourable scenario at the beginning of the season: growers who need to export more each year and an exchange rate substantially reducing the risk run by importers. All the ingredients were there for a winter season that should have been a firework display that was light in volume but that turned out to be a damp squib!

The only certain thing about the future is that it never matches forecasts'. This phrase by Jean Dutour seems to be a precise description of this season, that seemed too clearly played and won from the beginning. Indeed, who would have imagined such a mediocre average price for the season when FDOC announced in October that Florida production would be slightly larger than the previous year but still very strongly down? Who could have imagined that the historic rocketing of prices in 2003, a fine finish to a fine season, would not be repeated?

But that is what happened. And the ironic thing is that the disappointing result was caused to a considerable degree by the size of shipments from Florida.

A sharp increase in shipments from Florida

Exports to the EU approached the 7-million box level, whereas such a possibility had been forgotten because quantities had oscillated



between 6.2 and 6.5 million boxes in the five preceding seasons. Why so much when production was as modest as expected? The increase is the result of several factors. Firstly, it is important to underline Florida growers' strongly increasing need to export. The continuously weakening US domestic market is the Achilles' heel in Florida citrus growing. Sales of fresh grapefruit have fallen by a third in only four years, a decrease of 5 million boxes. Results are still only partial for the season but there is a risk of a further fall. In parallel, the juice market is

also shrinking continuously. Domestic sales reached 160 million gallons in 1998/1999 and were less than 105 million gallons in the last season. Stocks in recent years have been between 70 and 75 million gallons, representing nearly 30 weeks of sales. The problem is seen in perspective when it is remembered that approximately two-thirds of Florida production is processed and that the domestic market still forms three-quarters of sales outlets. It is then easier to understand the actions undertaken to regain the US domestic market through operations like the launching

of the website www.grapefruitedeveryday.com, entirely devoted to promoting grapefruit. The total marketing budget recently voted by FDOC for the next five years totals no less than USD 100 to 125 million, giving an idea of the work to be done. This may perhaps encourage us to see in relative terms the potential fall in volumes in the coming seasons as a result of production losses caused by tristeza (see box).

The fall of the dollar against the euro is the second point that explains the forceful return of Florida. Indeed, with an average exchange rate of 0.823 euro to the dollar, a fall of some 13% in comparison with last year, Florida fruits were very attractive for importers. Firm purchases of grapefruit became much less risky than usual. Furthermore, the prospect of large profits at the end of the season

Comparison between 2003/2004 arrivals and 2000/2003 average arrivals (%)								
	O	N	D	J	F	M	A	M
Florida	-8	+18	+44	-10	-6	+11	+19	-36
Turkey	-31	-63	-51	-42	-24	+95	+603	+950
Israel	+40	-33	-33	-15	-19	+30	-43	-61
Total	-3	-17	+16	-19	-11	+25	+27	+18

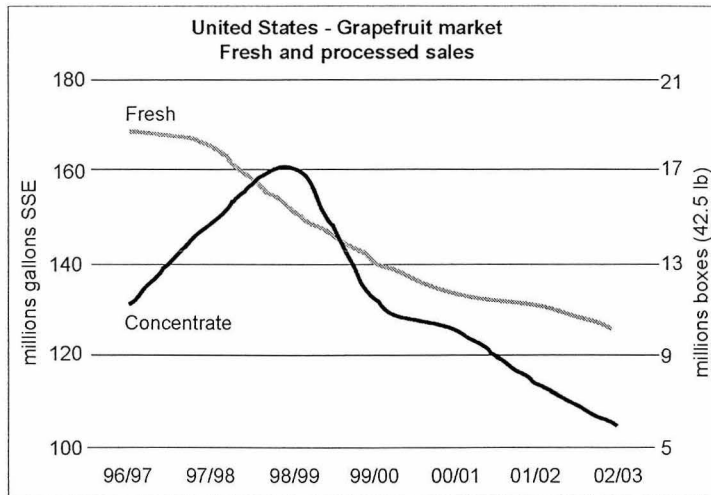
Source: CIRAD, CLAM

made buying particularly attractive, especially as fruit quality was good in March/April this year as the winter had been cool. The crucial role played by exchange rate fluctuations also emerges clearly when all the shipments to Japan, the main American grapefruit market, are analysed. The 10% fall in the dollar against the yen allowed an increase in shipments of nearly 20% to the historic level of 12 million boxes.

Thus, although the balance was mediocre for importers, Florida exporters have reasons to rejoice. According to Doug Bournique, Vice-president of the Citrus League, it was 'the best of the decade'. The average return was USD 8.53 per box against USD 7.48 last year according to a recent article in *TC Palm*. The trend has thus been reversed. The satisfactory economic results of the grapefruit season will make up for the disastrous performance of orange. The situation had been the opposite for several seasons.

Some dance while the others cry

While Florida producers celebrated, those in Turkey had to digest one of their worst seasons. Nonetheless, the increase in production was only a return to normal after a shortfall during the preceding seasons. But the very small size of a large proportion of the fruits was clearly a handicap. Exporters had to make substantial price concessions in order to ship fruits to both the EU and eastern Europe, a market that nevertheless confirmed its position as the main destination. Sales were also very laborious on the local market. The absence of juice processing installations that could have handled fruits to



2002/2003 that put an end to several years of spectacular decreases in exports. However, the distribution of quantities by market has changed considerably. The share dedicated to the French market has eroded to the benefit of countries like Germany. Sweetie also made progress both in the EU and in Japan, its main market (+8%, with about 620 000 boxes sold). Although the end of the season was very difficult in the EU, the favourable exchange rate and the very good results in the EU in October meant that the balance was average.

A promising beginning to the season

The season did start well, in fact. The market gave an excellent reception to the first fruits from winter origins in October as the southern hemisphere seasons finished early and the inter-season origins were already declining. Furthermore, distinctly small quantities were shipped from Turkey and Florida because many rainy period disturbed harvesting. Israeli operators benefited most from this situation.

Followed by rapid deterioration

The character of the market changed completely at the beginning of November. As a result of the delays in October, shipments of fruits from Florida increased strongly in November while demand experienced the usual seasonal slump. The pressure of stocks resulted in a marked fall in prices, which in December reached the lowest level since the 1999/2000 season, as the pressure from shipments from Florida was particularly strong.

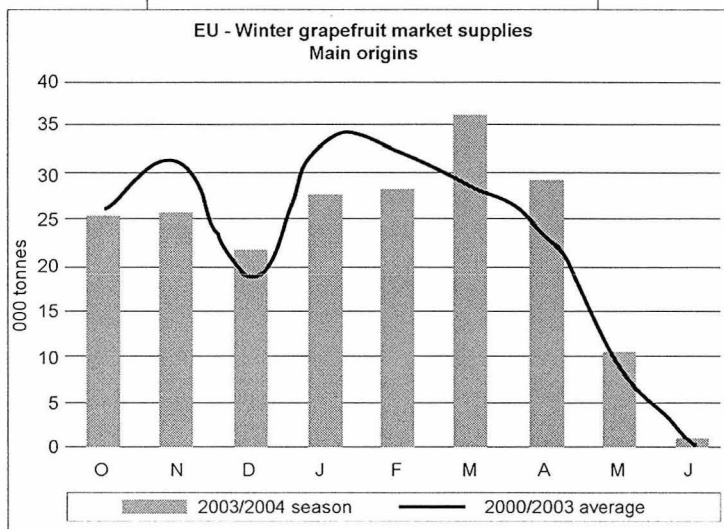
relieve the fresh fruit market was strongly felt this season. However, an unhopd-for recovery in exports to eastern Europe in May saved the season from catastrophe, even though the second half had been very difficult in the EU.

Average season price France - On quay (EUR per kg)	
1998/1999	0.62
1999/2000	0.72
2000/2001	0.75
2001/2002	0.76
2002/2003	0.77
2003/2004	0.70
1998/2003 average	0.72

Source: CIRAD

Mixed results for Israel

Israel's shipments to the EU increased once again. It is true that the increase was small but it confirms the trend initiated in



Florida grapefruit production and outlets										
	97/98	98/99	99/00	00/01	01/02	02/03	03/04	n/n-1	5-yr. average	
Production	99.1	94.1	106.8	92.0	93.4	77.4	81.0	+5%	92.7	-17%
White	37.9	36.7	43.0	37.4	37.8	32.4	32.0	-1%	37.5	-14%
Coloured	61.2	57.4	63.8	54.6	55.6	45.0	49.0	+9%	55.3	-19%
Fresh sales										
Domestic	18.1	15.3	13.2	11.6	11.1	9.9	9.2*			
Export	21.8	22.1	20.8	20.2	20.7	18.3	21.0	+15%	20.4	-11%
of which Japan	9.3	10.0	10.9	10.7	11.2	10.2	12.1	+19%	10.6	-4%
of which EU	8.8	8.3	6.4	6.6	6.6	6.2	6.9	+11%	6.8	-9%
Processing	55.6	53.0	69.0	55.2	56.2	44.4				
Not certified	2.4	2.4	2.6	3.2	3.0	3.0				
misc.	1.2	1.4	1.2	1.8	2.4	1.8				
<i>millions of 42.5 lb boxes - FDOC</i>										
Sales of concentrate										
Domestic		160.2	131.5	125.5	113.5	104.3				
Export		24.3	33.0	39.0	36.3	39.5				
of which Japan		5.0	10.0	11.0	10.8	13.5				
of which EU		14.9	17.5	22.7	21.0	20.7				
<i>millions of gallons SSE-FDOC</i>										
Various sources / *: provisional										

The reduced volumes received in January and February and the beginnings of a price recovery led importers to continue to believe in the scenario of a season as dazzling as 2003/2004. And then an avalanche of grapefruit poured on to the EU market in March and April, putting an end to any prospect of an increase in prices.

The era of the importer-cum-foreign-exchange-specialist

The economic results of the season will obviously not remain in importers' memories. Many are even discouraged with regard to an origin like Florida, for which the ratio of economic result to financial risk seemed very slight again this year.

However, one positive point can be drawn from all this—the stopping or perhaps a pause in the fall in the

consumption of winter grapefruit. Plus a few lessons perhaps. First, at the risk of being repetitive, it seems important not to over-estimate the impact that tristeza may have on the quantities of Florida grapefruit available for export. Finally, it has to be observed that the macroeconomic factors—the first being the exchange rate—often have a greater impact on fruit markets than production problems. The function of the importer as 'the man upstream' is often making way for that of foreign exchange specialist ■

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Florida still threatened by tristeza

According to USDA, approximately 42% of the grapefruit trees in Florida are grafted on sour orange, which has the defect of being susceptible to tristeza. This disease causes the degeneration and then the death of the tree and there is currently no cure for it. The only solution is to grub up infected trees and replant. Production could thus decrease until 2006-2007 and reach a low point of 33 million boxes (in comparison with 46.7 million in 2001-2002). It would return to normal in 2012-2013.

For further information:
<http://www.fred.ifas.ufl.edu/citrus/pubs/trend/trnd2002.pdf>

Grapefruit — Estimated market releases in the EU by origin								
	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	
Florida								
1 000 t	146.8	140.9	109.0	112.9	111.2	105.8	117.3	
Million boxes 17 kg	8.6	8.3	6.4	6.6	6.5	6.2	6.9	
Turkey								
1 000 t	18.1	24.8	44.6	44.3	48.5	36.0	43.8	
Million boxes 13 kg	1.4	1.9	3.4	3.4	3.7	2.8	3.4	
Israel								
White	28.3	26.1	22.1	11.5	7.4	7.1	9.3	
Coloured	61.9	60.3	55.1	43.6	30.5	33.0	32.2	
1 000 t	90.2	86.5	77.2	55.0	37.9	40.1	41.5	
Million boxes 16 kg	5.6	5.4	4.8	3.4	2.4	2.5	2.6	
Sweetie	1.9	3.3	2.9	3.4	3.2	3.8	3.9	
Million boxes 16 kg	0.1	0.2	0.2	0.2	0.2	0.2	0.2	
Total	1 000 t	255.1	252.2	230.8	212.2	197.6	181.9	202.6

Source: CIRAD-FLHOR