



The world lemon market

The other side of the mirror

The 2007-08 winter season will remain an exceptional vintage in the memories of lemon growers the world over. Prices rocketed on all the large international markets. In the European Union, the world's largest outlet, the price of 'four fruits in cellophane' exceeded EUR1.00 at the import stage after being at 60 to 70 centimes in preceding seasons. This favourable situation should even continue, judging by the very high prices at the start of the summer season. Even the market for juices and derivatives, that had suffered a lasting slump, has recovered and stocks have been cleared.

However, this situation is magnificent, but conjunctural. Close analysis shows that the main world market trends are much less rosy. But first of all it is necessary to understand the structure of the international market.

A mainly European world fresh fruit market supplied by a limited number of sources

Although the world fresh lemon market is a large one, with some 1.5 million tonnes changing hands in 2007, it is little diversified either upstream or downstream. Only five countries export more than 100 000 t. The leading trio—Spain, Argentina and Turkey—control three-quarters of international trade between them. Winter supplies are shipped mainly by Spain, Turkey and the United States. Argentina and South Africa share the greater part of the summer market.

Concentration is even stronger in terms of the market as Europe is the destination for nearly three-quarters of international shipments. The United States is the only other large consumer market in the world. However, most US consumption is covered by domestic production in two West Coast states with a Mediterranean climate (California and, to a lesser degree, Arizona). As a result, imports do not exceed 35 000 t in a normal year.

The other markets only take limited volumes. Japan, the second largest import market in the world, takes only 70 000 to 80 000 t. Likewise, Canada in third position

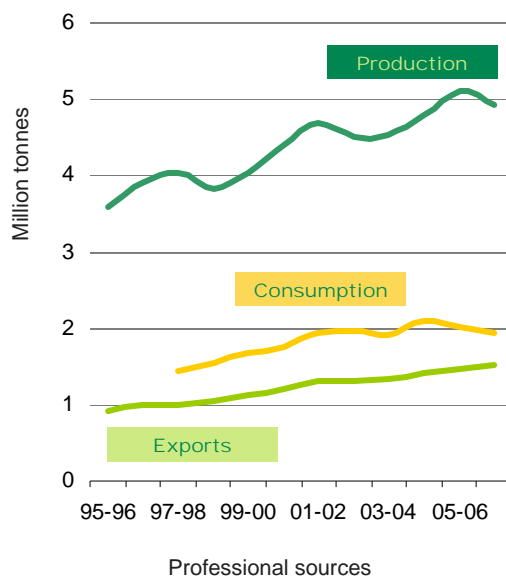


Lemon - Main exporting countries - Volumes exported by market

Tonnes	Volumes exported by					
	Spain	Argentina	Turkey	United States	South Africa	Total
Total, of which	500 000	340 000	330 000	110 000	100 000	1 380 000
Western Europe 660 000 t 44% of world market	345 000	200 000	35 000		37 000	617 000
Eastern Europe 480 000 t 32% of world market	135 000	105 000	225 000			465 000
Others 360 000 t 24% of world market		Canada: 10 000		Japan: 45 000 Canada: 30 000	Middle East: 45 000	
Market share	33%	23%	22%	7%	7%	92%

Data for 2006-07 or 2005-06 and 2006-07 seasons / Customs, professional sources – Presentation Fruitrop

**Lemon - Main exporting countries
(Mediterranean, USA, Argentina,
Chile, South Africa)**



imports less than 60 000 t. These are followed by the United States and four other markets on which import volumes range from 10 000 to 30 000 t according to the FAO (Saudi Arabia, the United Arab Emirates, Hong Kong and Kazakhstan).

The world's three leading exporters are the captives of one market

However, medium-sized markets like Japan and Canada have interesting potential. But the United States holds solid positions there for reasons of geographical or political proximity. In addition, the sanitary procedures are such a constraint in Japan as to be a practically insuperable barrier. As a result, Spain, Turkey and

Lime

The strong development of the world market for sour limes in recent years has

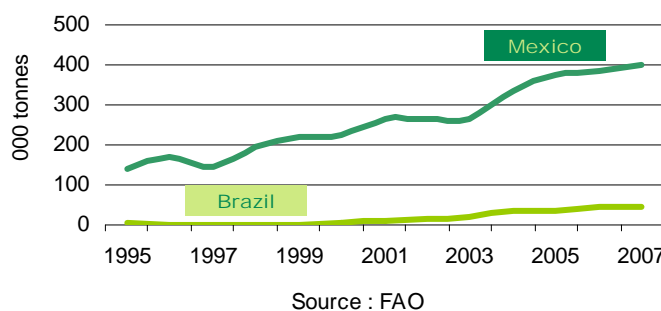


probably played a role in the decrease in lemon consumption seen in the EU and the USA. Distinction is made between two main types of lime as follows:

- *Citrus aurantifolia*, better known as Mexican, Key or West Indian lime, forms a very large proportion of world production but is little sold on the international market as it is seedy and very small;
- *Citrus latifolia*—Tahiti or Persian lime—forms the bulk of sales on the world market. Seedless and larger than *C. aurantifolia*, it is widely grown in Mexico (in the Martinez de la Torre region in Vera Cruz province) and in Brazil (Sao Paulo state).

These two countries are the main suppliers of a strongly growing world market. Their exports have tripled in 10 years from some 140 000 t in the mid-1990s to nearly 450 000 t in 2007. The United States is the world's leading import market, especially as production in Florida (Dade county) became marginal after the spread of citrus canker by the 2004 and 2005 hurricanes. Imports reached 350 000 t in 2007, marking a 115 000 t increase in five years. Mexico is practically the only player on this market. In Europe, the second largest market in the world, the volumes consumed by EU-25 have doubled in five years, exceeding 60 000 t in 2007. Brazil controls 80% of the market with supplies completed by Mexico. Japan and Canada import moderate but significant volumes.

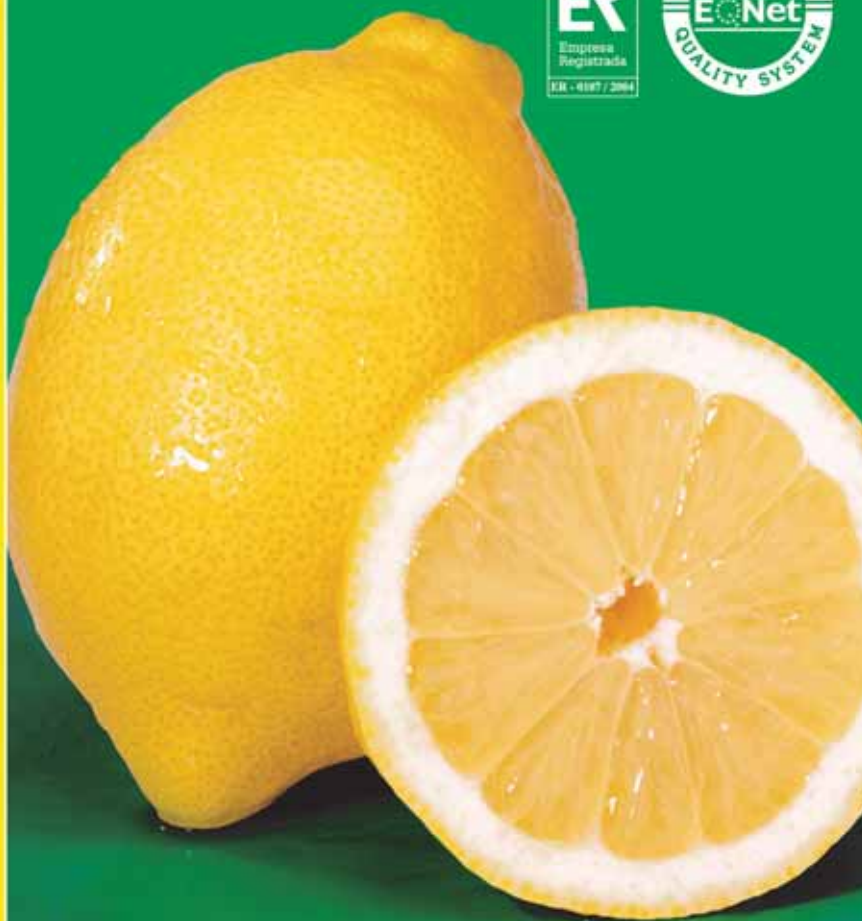
Lime - Mexico & Brazil - Exports



Photos © Régis Domergue



BEST LEMONS COME FROM SPAIN



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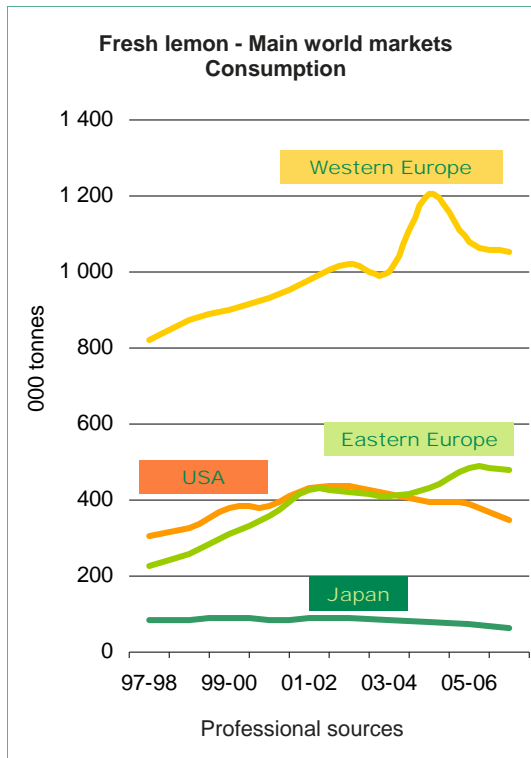
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Argentina are totally dependent on the EU market and have to adapt to its fluctuations.

A large industrial market closely connected to the fresh market

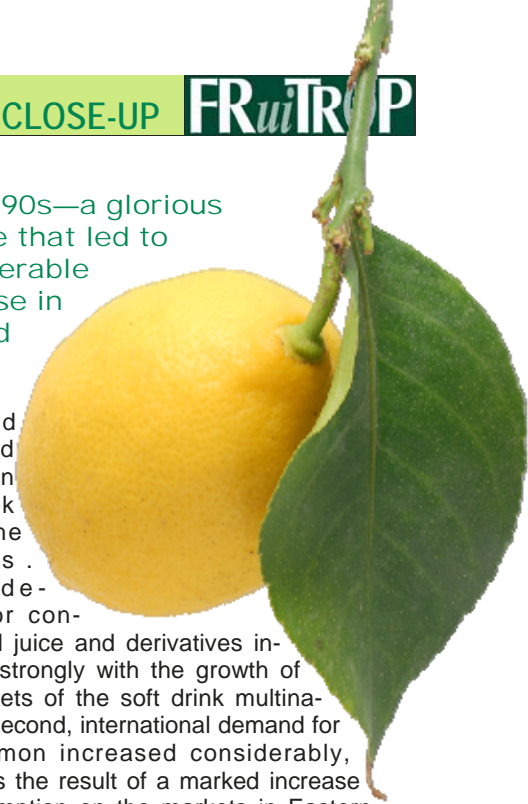
The substantial weight of industry is another structural component of the lemon sector. It is the main outlet in terms of volume, taking approximately 25 to 30% of world production for the

manufacture of juice (mainly concentrate) and other derivatives (essential oil, pellets, etc.). In contrast with orange, the large producer countries (except for Turkey) are both large-scale processors and exporters. Geographic specialisation by outlet is less marked than for other citrus. As a result, problems concerning fresh fruits and the processing industry are very closely linked and between them determine profitability for growers.

The 1990s—a glorious decade that led to considerable increase in planted areas

World demand for lemon truly took off in the 1990s. First, demand for concentrated juice and derivatives increased strongly with the growth of the markets of the soft drink multinationals. Second, international demand for fresh lemon increased considerably, mainly as the result of a marked increase in consumption on the markets in Eastern and Western Europe. Totalling some 900 000 t per year in the mid-1990s, international trade in lemons increased by more than 400 000 t in six seasons, exceeding 1.3 million tonnes in 2001-2002.

This particularly buoyant context encouraged professionals all over the world to plant massively, sometimes making short-term technical choices that favoured volume rather than fruit quality. As an example, the use of rootstocks that optimise productivity became widespread. Production in Spain and Argentina practically doubled during this period, reaching 1.0 and 1.3 million tonnes respectively, while the Turkish crop increased from 390 000 to 600 000 t.



Photos © Régis Domergue

This rocketing production hit the profitability of the concentrated juice market from the second half of the 1990s onwards. However, business was still lucrative as the market for fresh lemons was still growing strongly.

....was followed by a slump at the beginning of the 2000s

The first serious economic difficulties started to appear at the beginning of the 2000s. Production in the main exporting countries increased more slowly. In parallel, growth of the fresh market slowed distinctly, as is shown by the consumption curves for the main world markets. The Eastern European markets stagnated from 2002-03 onwards and then consumption in Western Europe slumped from 2005-06 onwards.

In addition, the degradation of the concentrated juice and derivatives market became more marked. The quantities delivered to industry increased tremendously, with the slowing of the

growth of the market for fresh fruits adding to the increase in production. Producer prices paid by industry decreased strongly, sliding below the break-even point in places like Spain and California where production costs are high.

So the indisputable improvement seen in 2007 on the market for fresh fruits and concentrate does not reflect the real structure of the market. A strong, conjunctural decrease in Mediterranean supply sent fresh lemon prices upwards. Weather problems in summer 2007 drastically reduced production in Spain and Turkey, the two countries that account for most EU market supply. The effects of frost in California in 2006 caused the increase in prices in the United States and Japan. Likewise, the strong rise in concentrated juice prices seems to be mainly the result of the frost in California in 2007 and then the decrease in Mediterranean production mentioned above ■

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Production

World production of lemons is difficult to evaluate. Some countries such as China and India also produce limes and make no distinction between the fruits in their statistics. Lime trees are preferred to lemon trees in the tropics. The susceptibility of the latter to the fungal diseases that are very present in these environments is strong, vegetative growth becomes exuberant and the fruits become too large and unsuited to market demand.



Lemon Production difficult to evaluate (tonnes)

World production (including some lime production)	7 000 000 to 8 000 000
International trade	1 500 000
Industry	2 000 000
Lemon, of which	6 800 000
Argentina	1 500 000
Spain	1 100 000
Turkey	825 000
Lime, of which	3 800 000
Mexico	1 900 000
Brazil	1 030 000
Peru	250 000
Lemon and lime*	2 400 000
China	1 600 000
India	780 000

* not separated in statistics / Sources: FAO, professionals