



The European grapefruit market

Review of the 2006-07 season

All professionals expected another winter season with a strong deficit in fruits. However, it must now be admitted that supplies of the EU market were much larger than expected, with a return to a normal level.

Although arrivals from Florida were still distinctly short, the improvement was greater than initially thought. In parallel, the more marked presence or even the appearance of 'small sources' caused an increase in overall supplies that was less perceptible but real nonetheless. Price performances were satisfactory for Florida but disappointing for the other origins and gave some interesting information about market mechanisms.

A probably average supply volume when supplies from all sources are counted

The most noteworthy feature of the season was the return to distinctly stronger supplies than in 2004-2005 and 2005-2006. Final customs statistics have not yet been released but the figures gathered by CIRAD Market News Service give a fairly accurate idea of the volumes marketed. May to September arrivals in EU-25 probably exceeded 280 000 tonnes after oscillating between 230 000 and 245 000 in the two previous seasons. Comparison over a longer period using deliveries to EU-15 shows that shipments were equivalent to those before the hurricanes in Florida.

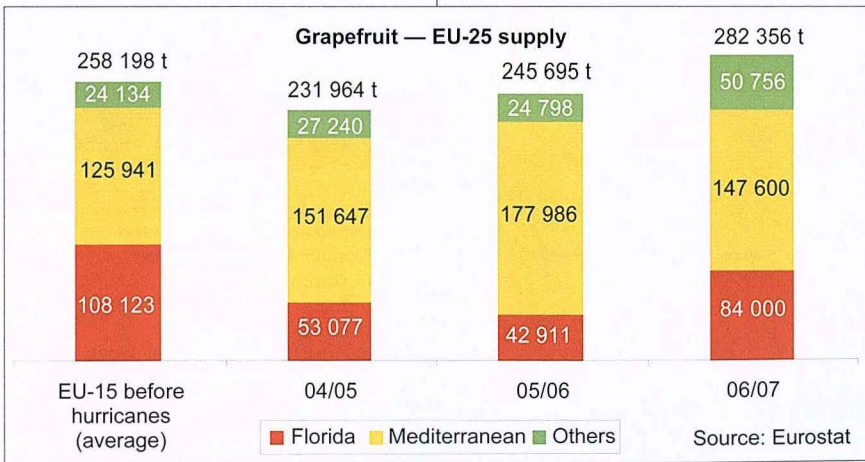
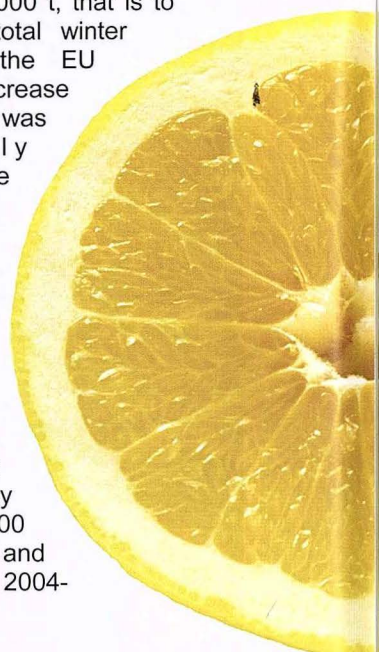
A partial but distinct return of Florida

The most distinct increase was no doubt in arrivals from Florida, with a rise to 4.3 million boxes after 2.1 million during the 2006-2007 season and 2.8 million during that of 2005-2006. It is true that these volumes are still far from the 6.5 million boxes shipped regularly until 2004. However, the 2.2-million-box increase in



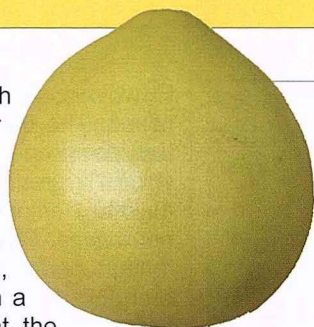
comparison with the previous season represents 37 000 t, that is to say 15% of total winter supplies for the EU market. The increase in supplies was particularly marked at the beginning and especially the end of the season with more than 1.1 million boxes arriving between the beginning of April and the end of May against 260 000 in 2005-2006 and 400 000 in 2004-2005.

However, this recovery closely analysed by European importers on the look-out for the smallest clue to trends in production in Florida in the coming years should not be over-interpreted (see box).



Large inter-season volumes with a staggered calendar

Inter-season sources played a structuring role during the first part of the season. Firstly, large volumes were shipped. As shipments from South Africa and Argentina were small, the very high price levels attained during the summer obviously generated much attraction (see box). Secondly, the delivery calendars often ran very late and some-



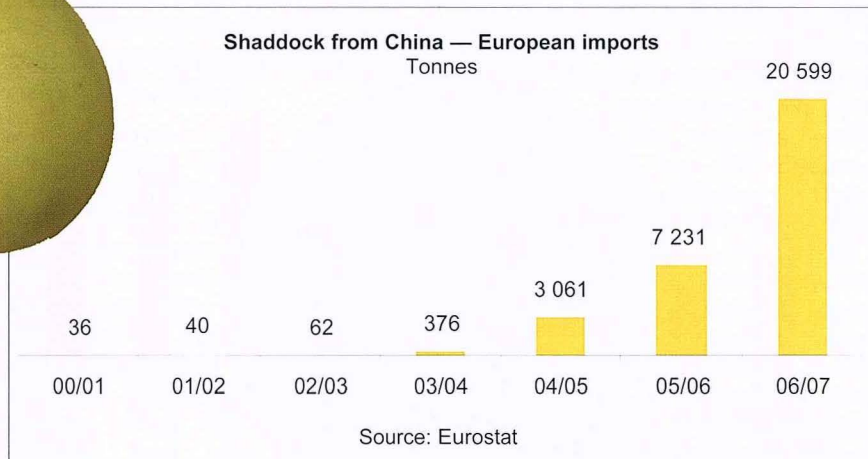
times overlapped with those of the winter origins. This was the case of Cuba which, after minor presence in 2005 and almost total absence in 2006, returned strongly with a first ship unloaded at the beginning of October, that is to say at the same time as the first shipments from Turkey and Israel. Likewise, the Honduran season, with comparatively large amounts of fruits, continued until the end of November. The example of Mexico is even more eloquent.



Mexico more present and less seasonal with the development of supplies from Michoacán

The volumes imported increased to nearly 10 000 tonnes. Michoacán, a hitherto absent production region, has now swollen Mexican supplies that previously came only from Yucatan.

Furthermore, the season is now much longer as the production calendar is much extended than in Yucatan. Mexican fruits were thus noticeably present until the end of November.



Mexico seems to have strong points that will enable it to gain a larger position in the EU market, especially in spring and summer. The fruits are of tropical quality, supplies are organised around a limited number of exporters and importers and the production period is long. It is true that the result for the 2006-2007 season were mixed, especially as the end of the season was very difficult. However, some operators such as Dole and Fruidor opted clearly for the origin and applied a few technical adjustments that still proved necessary. Mexico could become the source to fill the inter-season gap for these companies.

Chinese shaddock more than confirmed its arrival on the market

The final component of this distinct increase in supplies is less clearly perceived by operators and more diffuse. Imports of shaddock from

China exceeded 20 000 t in 2006-2007, making this source the fifth largest supplier of the EU market, just after Spain but well ahead of Cyprus. This is an amazing increase as very few of these fruits were delivered in 2003-2004—just one container imported by AZ France for the Carrefour group for sales during the Chinese New Year. The importers handling these fruits are very confident and consider that the market for this produce should continue to grow strongly in the seasons to come.

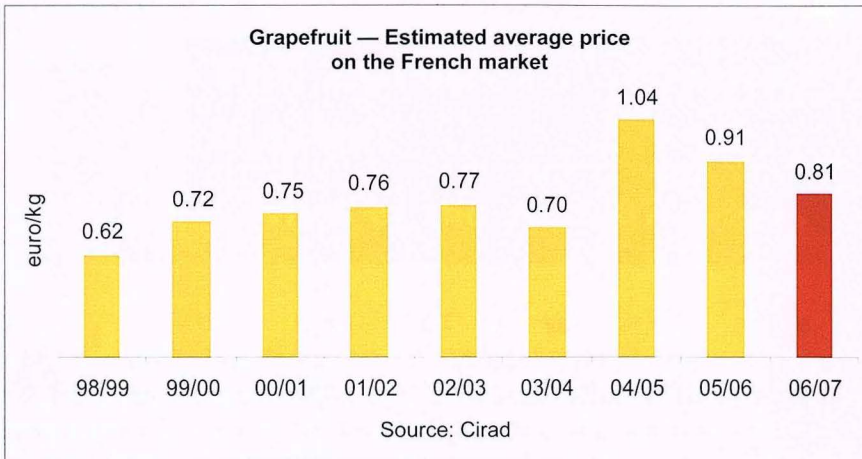
Business was difficult for the Mediterranean origins in this context of strong competition from the beginning of the season onwards and they lost market shares. Sales volumes had approached 180 000 t and now slipped below 150 000 t. Nevertheless, this decrease should be seen in relative terms as the quantities sold were still distinctly larger than those of the seasons preceding the 2004 hurricanes when the average was about 125 000 t.

Grapefruit and shaddock — European imports from the northern hemisphere

| Tonnes | 2000-2001 | | 2001-2002 | | 2002-2003 | | 2003-2004 | | 2004-2005 | | 2005-2006 | | 2006-2007 | |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------|-------|-----------|--|
| | UE-15 | UE-15 | UE-15 | UE-15 | UE-15 | UE-15 | UE-25 | UE-15 | UE-25 | UE-15 | UE-25 | UE-15 | UE-25 | |
| USA | 108 330 | 109 033 | 101 119 | 114 010 | 51 320 | 53 077 | 42 522 | 42 911 | 83 000 | 84 000 | | | | |
| Israel | 54 474 | 43 369 | 42 878 | 44 536 | 54 543 | 62 612 | 48 078 | 54 453 | 45 000 | 50 500 | | | | |
| Turkey | 45 107 | 49 066 | 38 918 | 43 017 | 31 854 | 42 709 | 55 935 | 80 893 | 34 000 | 52 600 | | | | |
| Spain | 16 453 | 20 463 | 23 848 | 20 936 | 23 348 | 29 358 | 22 436 | 27 808 | 24 000 | 30 000 | | | | |
| Cyprus | 14 932 | 14 275 | 15 070 | 16 425 | 12 796 | 16 967 | 12 660 | 14 832 | 13 000 | 14 500 | | | | |
| Mexico | 1 715 | 5 929 | 3 939 | 5 728 | 7 560 | 7 594 | 4 527 | 4 527 | 20 367 | 20 599 | | | | |
| Cuba | 8 923 | 11 275 | 5 727 | 9 823 | 2 013 | 3 415 | 700 | 700 | 9 595 | 9 595 | | | | |
| Honduras | 10 643 | 8 912 | 9 862 | 13 547 | 12 340 | 13 169 | 12 340 | 12 340 | 5 275 | 5 275 | | | | |
| China | 36 | 40 | 62 | 376 | 3 032 | 3 061 | 7 231 | 7 231 | 15 287 | 15 287 | | | | |
| Total | 260 610 | 262 362 | 241 423 | 268 397 | 198 804 | 231 963 | 206 430 | 245 695 | 249 524 | 282 356 | | | | |

Source : Eurostat, except 2006-2007 Eurostat and Cirad





Grapefruit — Estimated market price on the French market

| euro/kg | Florida | Israel | Turkey | Average |
|-----------------|---------|--------|--------|---------|
| 1998-1999 | 0.60 | 0.70 | 0.55 | 0.62 |
| 1999-2000 | 0.75 | 0.72 | 0.52 | 0.72 |
| 2000-2001 | 0.77 | 0.74 | 0.62 | 0.75 |
| 2001-2002 | 0.80 | 0.68 | 0.54 | 0.76 |
| 2002-2003 | 0.79 | 0.73 | 0.65 | 0.77 |
| 2003-2004 | 0.73 | 0.68 | 0.56 | 0.70 |
| 2004-2005 | 1.12 | 0.91 | 0.86 | 1.04 |
| 2005-2006 | 1.13 | 0.79 | 0.67 | 0.91 |
| 2006-2007 | 0.89 | 0.66 | 0.65 | 0.81 |
| 2006-07/2005-06 | - 21% | - 16% | - 3% | - 11% |
| 2006-07/2000-04 | + 15% | - 7% | + 10% | + 9% |

Source: Cirad

The EU and Japanese markets were less open to Israeli importers than in 2004-2005 and 2005-2006

After getting off to a decent start, Israeli operators came up against a problem of positioning in France and, to a lesser degree, on the rest of the EU market. It was difficult for them to

gain a position on the high quality segment as supplies from Florida were more plentiful than during the two preceding seasons. The end of season market (April-May) was not as buoyant for the Israeli operators as in 2004-2005 and 2005-2006 because of the prolonging of the Florida season. Competition with the other origins was very fierce on the other market segments and price was the determinant factor.

Likewise, but just for the record in the light of the volumes taken, Japan, which had begun to open the door to white grapefruit from Israel in recent seasons, was very disappointing. Israeli exporters therefore targeted Eastern Europe (Sunrise 20%) more than in recent years.

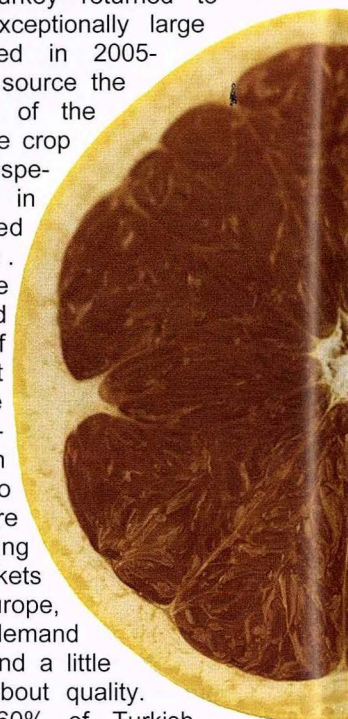
However, the performance was mixed. The 50 000 t sold in the EU was down on preceding seasons but still 10% greater than the 43 000 to 45 000 t shipped before the Florida hurricanes. Producers' confidence in market performance in the medium term was not shaken. Plantation intensified in 2006, reaching 440 ha according to USDA, which also estimates that some 700 ha will be planted in 2007.

Turkey back to average volumes

Arrivals from Turkey returned to average. The exceptionally large quantities shipped in 2005-2006 made this source the leading supplier of the EU. But firstly the crop was smaller, especially as frost in January caused some loss. Secondly, the large fruits and some problems of keeping quality at the end of the season encouraged Turkish exporters to concentrate more than in preceding years on the markets in Eastern Europe, where there is demand for large fruits and a little less fussiness about quality. Indeed, about 60% of Turkish exports were shipped there, with the main destinations being Russia, followed by Romania, Ukraine and Bulgaria. The volumes delivered to EU-25 were therefore moderate and the season ended early. The decrease in arrivals of Turkish grapefruit was particularly marked in the markets in the western part of EU-25 as Turkish exporters concentrated on the new member-states and especially Poland.

Laborious sales for Spain and Cyprus

The other Mediterranean origins also had to face a more difficult market

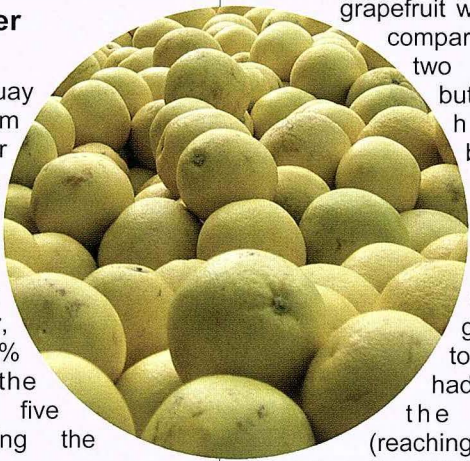


situation. Spanish producers managed to sell slightly larger volumes than during the preceding season but sales were difficult even though prices were lower. In this context, lemon growers in Murcia—where the sector is affected by a serious slump—are more reserved about the plan to replace part of the lemon orchards by grapefruit plantations.

The season was also disappointing in Cyprus. Sales were difficult even though the volumes were smaller than forecast. Another winter of serious drought affected the harvest and fruit size. The amounts of water available for farming are becoming so limited that some growers are wondering about the future of citrus growing in Cyprus.

Average overall, the seasons displayed contrasts from one origin to another

The average quay price calculated from the performance for fruits from Florida, Turkey and Israel was distinctly lower than in the two preceding seasons. However, it was about 9% higher than the average for the five seasons preceding the hurricanes.



differences between sources. On the one hand, the price of Florida grapefruit was well down in comparison with the two previous years but still distinctly higher than before the hurricanes. Conversely, the prices of Israeli produce lost considerable ground, sinking to lower than they had been before the hurricanes (reaching about 5% less than the 2000-2004 average).

The trend was similar for Turkey but the price decrease was more contained as smaller volumes were imported.

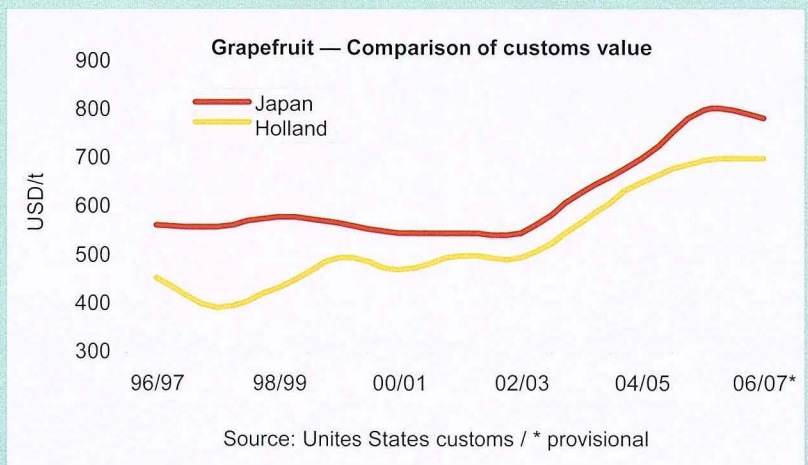
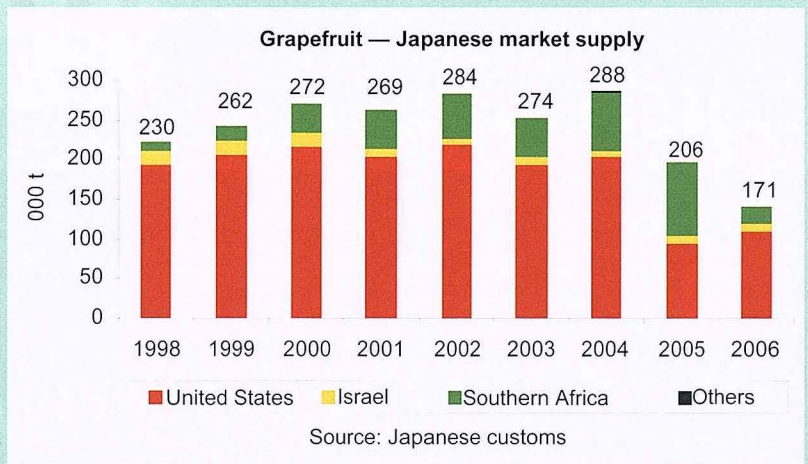
Detailed analysis of this overall performance reveals interesting



The Japanese market

Supplies to the Japanese market increased markedly in 2006-2007. However, the increase in overall supplies was smaller than that seen on the European market as only fruits from Florida were involved. Market access is subject to what are

reputed to be the strictest sanitary and phytosanitary protection measures in the world and Japan remained closed to the other world suppliers. Only Israel succeeded in shipping some fruits, in very marginal quantities, thanks to an easing of the export control protocol in force between the two countries. Japan is still the leading market for grapefruit from Florida and the leading priority for exporters. It is true that the difference between selling prices in the EU and in Japan, which had shrunk to 8% between early 2000 and 2004-2005, increased to 15% in 2005-2006 and 12% in 2006-2007 (provisional figure). Sales were supported during the last season by a large advertising campaign (point of sale and even TV advertising). Arrivals therefore increased more strongly than those on the EU market (3.3 million boxes against 2.3), with deliveries attaining 7.9 million



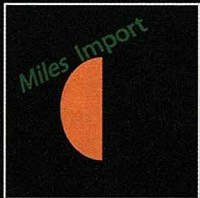
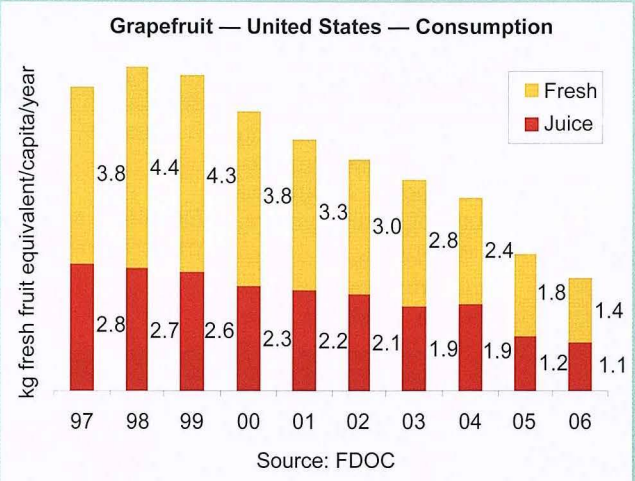
boxes in comparison with 4.7 during the two preceding seasons. The figure had been 10 to 12 million just before the hurricanes.



Consumption is still in trouble on the US market but FDOC is keeping watch

Although production recovered substantially in Florida in the last season, consumption of both juice and fresh grapefruit continued to decrease on the American market for the eighth year running. According to the Florida Department of Citrus, per capita consumption was only 2.5 kg fresh grapefruit equivalent in 2006 whereas it had been more than 7 kg in 1998. Analysis by market segment shows that fresh grapefruit consumption halved during the period (from 2.7 to a little less than 1.1 kg per person per year) and that of juice fell by two-thirds (from 4.4 to 1.4 kg per person per year in fresh fruit equivalent). The same survey showed that this large decrease resulted mainly from the collapse of the household penetration rate of grapefruit. The proportion of households purchasing fresh grapefruit decreased from 23% in 2001 to less than 6% in 2006 while the figure for juice fell from 17% to less than 8%. FDOC decided to react by returning to promotion—the last major national campaign had been in 2001. The situation is all the more serious as the increase in price since 2004 may well aggravate the situation. The price of grapefruit juice varied between USD 4.80 and 5.00 from 2001 to 2004 and was about USD 6.10 in 2006. A large-scale national advertising campaign is therefore being prepared. Unsurprisingly, the theme is reported to be the virtues of grapefruit for health with the watch-

words being 'taste-health-vitality-style-beauty'. The campaign will probably be focused strongly on the public in the southern US where consumption is very small. However, this strong medicine requires a 30 to 40-cent increase in the parafiscal tax on each box of fruits and this was refused by growers at the end of June. The latter are aware of the seriousness of the consumption slump but are in a difficult financial situation. FDOC will therefore have less room for manoeuvre than planned. The marketing programme also includes the continuation of efforts outside the US—in Japan, the European Union and Canada.



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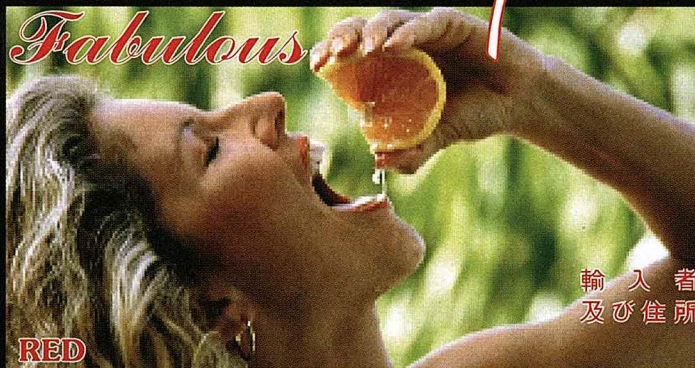
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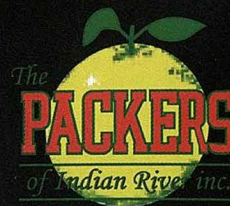
AGRUMES DE
CONTRE SAISON

Votre partenaire en pomelos de Floride

FLORIDA



GRAPEFRUIT



A bipolar, strongly compartmentalised market

This observation provides much information about the fine mechanisms that govern the working of the French and EU markets.



Firstly, the segmentation used by distributors is clearly bipolar. Fruits from Florida, and more precisely the

best brands, are in the high quality segment for most purchase centres. It is difficult for mid-range fruits to stand out from the cheapest range even though objective qualitative differences exist between the two types of produce.

Secondly, the two main market segments, that is to say the top and the bottom, appear to be closely compartmentalised. The high-quality segment was under-supplied, with more ample arrivals from Central America or the Mediterranean and the return to a cumulated average level that did not make up for the shortage in the supply of fruits from Florida. Conversely, the other market segments were fairly sluggish as a result of a degree of under-supply.

Attention should be paid to this compartmentalisation feature in the coming seasons. The shortage of supplies from Florida will be at least

as marked as during the last season. Maximum production will be 25 million field boxes and the proportion sold for processing can only grow as sorting rejects may increase as a result of citrus canker. However, the high-quality market share left vacant will only be accessible to the sources where hard work has been carried out on quality, supported by promotion efforts at the distribution stage.

Exporting more fruits without making these efforts with regard to quality means a risk of over-supplying the bottom and mid-range market sectors ■

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Summer in the sun for southern hemisphere sources

Excellent prices were obtained at the import stage during the 2006 season. Firstly, supplies were particularly limited at 25% less than in 2005. The South African harvest displayed a distinct deficit as heavy rainfall in the northern part of the country caused production losses. Furthermore, high juice market prices encouraged producers to sell a larger proportion of the crop for processing than in previous years, especially as the performance on the fresh fruit market had been bad in 2005 (the end of the season was catastrophic in Japan). In parallel, the tightening up of export phytosanitary control measures performed by SENASA resulted in a strong decrease in the arrival of shipments from Argentina. Secondly, the market window was particularly large. The early ending of the winter season combined with a historical deficit in Florida allowed Argentinian and South African operators to benefit from a dynamic sales current from June onwards. The new market context featuring a serious deficit in shipments from Florida during the winter season favoured the appearance of new suppliers for the summer season. The

emergence of Chile is to be noted. The volumes shipped to Europe were insignificant in 2005 and exceeded 2 500 t in 2006. Grapefruit growing is limited to 280 ha but this is tending to grow. The orchards are within a radius of about 100 kilometres around Santiago (Hijuelas, Cabildo and Quillota in the south of region 5, Melipilla in the metropolitan region, Las Cabras and Peumo in the north of region 6). Production totals some 7 000 t and is exported from September to January. Shipments were less than 1 000 t in 2004 and approached 4 000 t in 2006. The main destinations are the EU, Argentina, Canada and Japan.



| Grapefruit — European imports from the southern hemisphere | | | | | | | | | | |
|--|---------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Tonnes | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Southern Africa | 68 097 | 110 423 | 87 897 | 108 231 | 76 752 | 96 653 | 85 355 | 84 062 | 109 368 | 81 077 |
| Argentina | 27 453 | 24 863 | 19 943 | 14 456 | 19 084 | 18 882 | 24 504 | 19 583 | 26 869 | 17 388 |
| Uruguay | 1 784 | 1 580 | 539 | 300 | 1 325 | 483 | 665 | 401 | 576 | 2 063 |
| Chile | - | - | - | - | - | - | - | 200 | 474 | 2 513 |
| Total | 97 334 | 136 866 | 108 379 | 122 987 | 97 161 | 116 018 | 110 524 | 104 246 | 137 287 | 103 041 |

Source: Eurostat - EU-15, then EU-25 from 2004 - code HS 08054000 / Southern Africa figure estimated for 2004