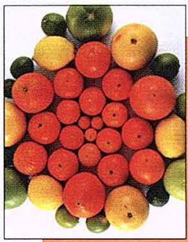


Review of the 2006-2007 winter citrus season

Record production

Figure produced by the CIRAD Market News Service and by the CLAM (Mediterranean Citrus Liaison Committee) are used in this 'Close-up' on citrus.

The record Mediterranean harvest—exceeding 20 million tonnes for the first time ever—is certainly one of the main noteworthy features of the 2006-2007 season. The third year of increase confirms the growth trend in Mediterranean production that had stagnated between 16 and 17 million tonnes until 2003-2004. Production reached record levels for all varietal groups except for grapefruit.

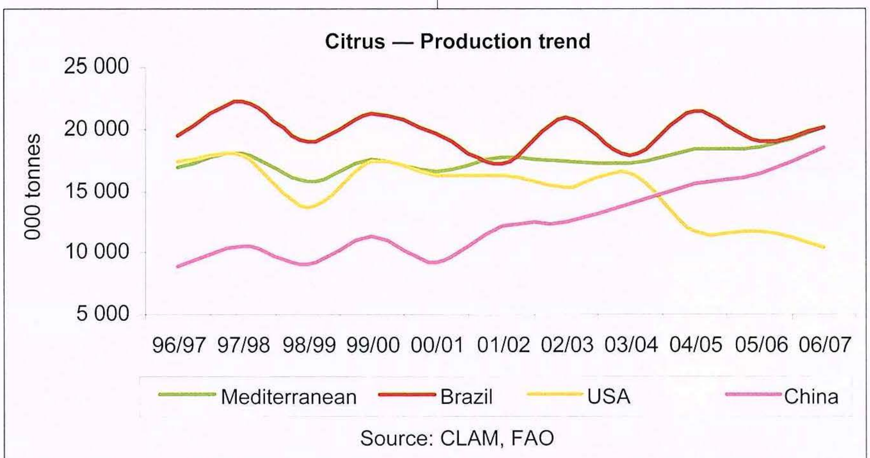
The Mediterranean, the world's leading citrus production region

The Mediterranean is thus at the summit of the world hierarchy of producer countries. This success deserves mention, even though it is probably temporary for reasons of the alternate bearing feature of citrus crops. However, the main feature to be underlined is growth as this contrasts with the stagnation or even the definite slump in the production of the other countries among the top three, focused on the juice industry. Areas under citrus are still decreasing in Brazil, the world's leading producer until the last season. Thus, in spite of the increase in yields, the harvest slid below the 20-million tonne mark in 2006, whereas it had exceeded 24 million tonnes at the end of the 1990s. The reason for this trend is a broad range of diseases (citrus variegated chlorosis, citrus canker, greening and sudden death disease) that have hit orchards hard in the state of Sao Paulo, the main production zone in Brazil. The decrease has been even sharper in the United States. The spreading of greening and above all citrus canker by the hurricanes of autumns 2004 and 2005 sent production spiralling down to hardly more than 10 million tonnes in 2006-2007, whereas it exceeded 16 million tonnes until 2004. The United States has even lost its third place to China, where production has displayed impressive growth, increasing from 10 to 18 million tonnes in recent years. Chinese production is sold on the domestic market and the country is not present on the international market for either fresh citrus or juice. China could become the world's leading producer by the end of the decade.

Citrus — Production evolution of the main producer countries

000 tonnes	2000-02 average	2006-07	Variation
Mediterranean	**16 484**	**19 575**	**3 091**
Spain	5 576	7 036	1 460
Italy	3 096	3 537	441
Egypt	2 705	3 024	319
Turkey	1 746	2 602	856
Morocco	1 067	1 285	218
Greece	1 245	976	- 269
Israel	572	627	55
Tunisia	253	282	30
Cyprus	202	178	- 25
France	24	29	5
Brazil	**16 940**	**20 161**	**3 221**
China	**10 660**	**18 423**	**7 763**
United States	**16 200**	**10 300**	**- 5 900**

Source: CLAM, FAO



More than one citrus fruit in two on the international market is Mediterranean

This generous harvest has enabled Mediterranean producers to export a record 6.8 million tonnes and to affirm their control of international citrus trade concerning some 12 million tonnes. Thus, more than one citrus fruit in two on the world market comes from the Mediterranean. The ratio reaches 75% for easy peelers and 58% for oranges, two Mediterranean specialities. To complete the picture, a respectable score of 45% for lemon should be added. Only grapefruit remains in the background. Because of its special physiological features, this citrus fruit requires the high, steady temperatures that are more common in subtropical regions.

The success of a 'terroir' and a policy of seeking new cultivars and new markets

This exemplary growth dynamics in production and exports is the result of a long term policy of specialisation in growing citrus fruits for the fresh market.

This approach is first and foremost extremely pragmatic and based on making use of all the advantages that the region possesses, and especially as regards climate. The cool winters make it possible to grow oranges and easy peelers with the right colour and flavour that is much appreciated because of the good sugar-acid balance. In addition, some sanitary constraints that form serious handicaps for the production and export of high-quality fresh citrus are not present around the Mediterranean (canker, variegated chlorosis, greening, etc.).

The range of easy peeler varieties grown by Mediterranean producers is without a doubt the broadest in the world and is also a key factor of this success. Spain has made a strong contribution to its enrichment by setting up facilities for

breeding and evaluating high-quality plant material and disseminating it in a very short time to citrus growers so that production can start rapidly thanks to top-grafting techniques. Breeders have sought varieties that extend the season and improve organoleptic qualities (colour at the beginning of the season, seedless cultivars, size, etc.). Supply has therefore broadened considerably in recent decades, especially thanks to several generations of early clementines, and quality has improved (for example with the replacement of 'Satsuma' by 'Marisol' and then 'Marisol' by 'Oronules'). Likewise the emergence of a broad range of easy peelers and dessert oranges like 'Lanelate' has made it possible to increase end-of-season supply considerably.

Citrus — World trade in 2006-2007 — Tonnes

	World trade	Mediterranean share	Main exporting countries	
Orange	5 370 000	58%	Spain	1 450 000
			South Africa	900 000
			Egypt	760 000
			United States	546 000
			Morocco	264 000
Easy peelers	3 300 000	75%	Spain	1 656 000
			China	367 000
			Morocco	317 000
			Turkey	312 000
			South Africa	100 000
Lemon & lime	2 000 000	45%	Spain	497 000
			Mexico	387 000
			Argentina	355 000
			Turkey	328 000
			United States	116 000
Grapefruit	1 000 000	28%	United States	384 000
			South Africa	215 000
			Turkey	135 000
			Israel	78 000
			Spain	37 000
Total citrus	11 670 000	58%	Spain	3 640 000
			South Africa	1 215 100
			United States	1 046 021
			Egypt	793 800
			Turkey	775 174

Sources: professional sources, customs, FAO

The opening of new markets has been one of the other driving forces of trade and hence of production. With volumes peaking at 3.5 million tonnes in western Europe since the mid-1990s, Mediterranean exporters have sought to diversify outlets. As a result, the markets in eastern Europe were the main target of this diversification and the destination for most of the increase in Mediterranean production. The figures are impressive. Exports totalled some 1.3 million tonnes

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at the beginning of the 2000s and reached 2.2 million after another growth year in 2006-2007. These volumes form a third of total exports and the increase has been 900 000 tonnes in six years! It must be emphasised that growth has been much stronger in Russia and Ukraine than in the new member countries that joined the EU in 2004, where a decrease in imports of oranges reduced overall growth as a result of the marked development of the easy peeler market.


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Shipments to North America, another major growth area, also continued to increase in 2006-2007. This was favoured by the destruction by frost of a large proportion of the Californian lemon and orange harvest. The volumes exported by Mediterranean operators—mainly Spanish and Moroccan—reached 200 000 t (some 50 000 t of oranges, 133 000 t of easy peelers and 20 000 t of lemons). This is distinctly larger than the 115 000 t of a normal season. It is true that the volumes might seem moderate in comparison with the scale of production, but they resulted in profitable sales, relieving the easy peeler market that was saturated in November and December.

Contrasted dynamics from one country to another

This season confirmed the great variations in dynamics from one country to another. Growth continued to be very strong for three of the four main countries in the region that each ship more than 500 000 t of citrus. Spain, accounting alone for nearly 55% of total Mediterranean exports, continued its strong increase in shipments of easy peelers and oranges to EU and eastern European destinations. Moroccan exports

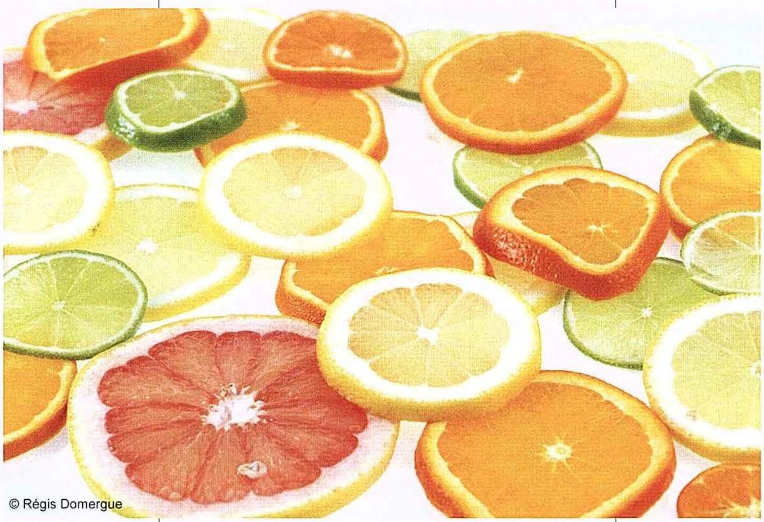
Citrus — Production in the Mediterranean region in 2006-2007

000 tonnes	Total	France	Spain	Morocco	Algeria	Tunisia	Italy	Israel	Cyprus	Greece	Turkey	Egypt	Gaza*
Easy peelers													
Production	**5 442.5**	**28.8**	**2 501.1**	**535.4**	**111.0**	**71.0**	**590.2**	**140.0**	**51.0**	**72.6**	**628.9**	**712.5**	**-**
Domestic sales	2 091.2	-	306.0	216.9	111.0	71.0	356.6	50.0	6.6	31.0	294.1	648.0	-
Industry	633.1	-	354.7	2.0	-	-	170.0	38.0	9.8	1.9	21.0	35.7	-
Losses/withdrawals	234.6	4.2	184.0	-	-	-	14.0	0.5	-	8.5	2.0	21.4	-
Export sales	2 484.6	24.6	1 656.4	316.5	-	-	50.2	51.5	35.0	31.2	311.8	7.4	-
Orange													
Production	**10 882.1**	**-**	**3 396.4**	**720.5**	**140.0**	**180.0**	**2 356.1**	**188.0**	**72.0**	**855.6**	**974.9**	**1 939.2**	**59.4**
Domestic sales	4 890.8	-	1 014.0	427.6	140.0	154.0	1 122.1	68.0	13.0	218.4	703.5	1 021.7	8.1
Industry	2 553.4	-	800.0	28.0	-	-	1 080.0	84.0	33.7	319.4	97.0	97.0	14.3
Losses/withdrawals	300.7	-	130.2	-	-	-	48.6	1.3	-	62.4	-	58.2	-
Export sales	3 133.5	-	1 452.2	264.9	-	26.0	105.0	34.7	21.6	255.4	174.4	762.3	37.0
Lemon													
Production	**2 990.8**	**-**	**1 090.3**	**29.5**	**-**	**31.0**	**582.6**	**40.0**	**12.9**	**40.6**	**825.1**	**334.4**	**4.4**
Domestic sales	1 227.3	-	150.0	28.0	-	31.0	252.3	34.0	3.1	35.4	406.9	284.8	1.8
Industry	584.0	-	238.0	-	-	-	280.0	4.0	4.0	0.4	40.0	16.7	0.9
Losses/withdrawals	282.6	-	205.1	-	-	-	11.7	2.0	0.3	3.5	50.0	10.0	-
Export sales	896.9	-	497.2	1.5	-	-	38.6	-	5.5	1.3	328.2	22.9	1.7
Grapefruit													
Production	**578.5**	**-**	**48.4**	**-**	**-**	**-**	**7.1**	**259.3**	**41.6**	**7.2**	**172.7**	**37.7**	**4.5**
Domestic sales	89.9	-	1.5	-	-	-	3.5	16.6	6.1	3.8	24.0	33.5	0.9
Industry	202.4	-	7.1	-	-	-	1.2	157.0	15.2	1.4	15.0	1.9	3.6
Losses/withdrawals	4.4	-	1.9	-	-	-	0.1	0.8	-	0.5	-	1.1	-
Export sales	281.8	-	37.9	-	-	-	2.3	84.9	20.3	1.5	133.7	1.2	-
Others													
Production	**11.6**	**-**	**-**	**-**	**-**	**-**	**-**	**11.0**	**-**	**-**	**0.6**	**-**	**-**
Domestic sales	4.2	-	-	-	-	-	-	4.2	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
Losses/withdrawals	-	-	-	-	-	-	-	-	-	-	-	-	-
Export sales	7.4	-	-	-	-	-	-	6.8	-	-	0.6	-	-
Total citrus													
Production	**19 905.4**	**28.8**	**7 036.2**	**1 285.4**	**251.0**	**282.0**	**3 535.9**	**638.3**	**177.5**	**976.0**	**2 602.2**	**3 023.8**	**68.3**
Domestic sales	8 303.5	-	1 471.5	672.5	251.0	256.0	1 734.9	172.8	28.9	288.6	1 428.5	1 988.0	10.8
Industry	3 972.9	-	1 399.8	30.0		-	1 531.2	283.0	62.7	323.1	173.0	151.3	18.8
Losses/withdrawals	822.3	4.2	521.2	-		-	74.4	4.6	0.3	74.9	52.0	90.7	-
Export sales	6 804.2	24.6	3 643.7	582.9		26.0	196.1	177.9	82.4	289.4	948.7	793.8	38.7

* estimates / Source: CLAM

continued to increase thanks to ever larger shipments of clementines to the Russian market and, to a lesser extent, to North America. The most spectacular movement was certainly the increase in the already strong growth of Egyptian exports, consisting mainly of 'Navel' and 'Valencia' oranges. Shipments increased by 150 000 t thanks to the development of outlets in neighbouring Arab countries. In six seasons, Egyptian exports to all destinations increased from about 200 000 t to nearly 800 000 t in 2006-2007. In contrast, the increase in Turkish shipments, that had been exemplary in recent years, was interrupted as a result of a shortfall in grapefruit production and eastern European markets that were more difficult for oranges. However, total volumes were still very large at close to a million tonnes.

The performances of the countries shipping less than 300 000 t were more contrasted. Only Israel achieved another year of growth, confirming the recovery of citrus growing. Although shortage of labour is still a problem, the use of recycled water has made it possible to solve the crucial problem of irrigation. A downward trend was seen in the other Mediterranean EU countries, still faced with serious problems of competitiveness (Greece and Italy) and drought (Cyprus). What a contrast with Spain, where the context as regards trade and regulations is nevertheless similar! The cumulated exports of Greece and Cyprus have decreased by more than 60 000 t since the end of the 1990s. This observation should be qualified for Italy, where the PGI approach seems to be succeeding in halting the decrease. The first massive shipments of blood oranges from Sicily to North America (about 6 000 t to the USA and 1 000 t to Canada) and Japan (7 600 t) should be noted. But will a development model based on specialities make it possible to re-launch citrus growing in Italy? Although this option seems judicious for Corsica, where 25 000 t of clementine and 4 000 t of grapefruit are grown, would



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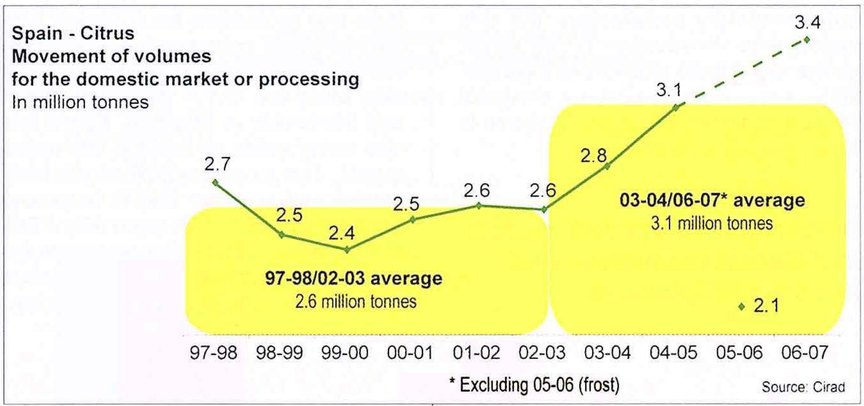
Citrus — Mediterranean region — Exports by variety in 2006-2007

000 tonnes	Total	France	Spain	Morocco	Algeria	Tunisia	Italy	Israel	Cyprus	Greece	Turkey	Egypt*	Gaza*
Total easy peelers	2 484.6	24.6	1 656.4	316.5	-	-	50.2	51.5	35.0	31.2	311.8	7.4	-
Satsuma	225.5	-	78.6	-	-	-	-	-	-	-	146.9	-	-
Clementine	1 598.5	24.6	1 195.3	293.2	-	-	46.0	-	-	28.4	11.0	-	-
Mandarin/Wilking	226.8	-	108.9	-	-	-	4.2	-	-	-	106.3	7.4	-
Ortanique	46.6	-	-	8.1	-	-	-	5.8	32.7	-	-	-	-
Nova	199.7	-	137.7	3.2	-	-	-	15.7	1.0	-	42.1	-	-
Others	187.5	-	135.9	12.0	-	-	-	30.0	1.3	2.8	5.5	-	-
Total oranges	3 133.5	-	1 452.2	264.9	-	26.0	105.0	34.7	21.6	255.4	174.4	762.3	37.0
Navel/Navelina	1 444.9	-	667.0	30.3	-	4.3	-	1.5	7.0	193.1	144.1	397.6	-
Salustiana	153.6	-	121.8	31.8	-	-	-	-	-	-	-	-	-
Shamouti	31.8	-	-	-	-	-	-	24.4	-	-	1.4	-	6.0
Common blond	44.3	-	-	-	-	4.3	-	-	-	14.3	1.2	24.5	-
Moro-Tarocco	105.0	-	-	-	-	-	105.0	-	-	-	-	-	-
Maltese	15.9	-	-	-	-	15.9	-	-	-	-	-	-	-
Sanguinelli	-	-	-	-	-	-	-	-	-	-	-	-	-
Other blood oranges	39.5	-	-	39.4	-	-	-	-	-	-	0.1	-	-
Verna	14.9	-	14.9	-	-	-	-	-	-	-	-	-	-
Oval	2.3	-	-	-	-	-	-	-	-	-	2.3	-	-
Late	1 275.2	-	646.3	163.4	-	1.4	-	8.8	14.6	48.0	25.3	336.4	31.0
Bitter	6.0	-	2.2	-	-	-	-	-	-	-	-	3.8	-
Total grapefruits	281.8	-	37.9	-	-	-	2.3	84.9	20.3	1.5	133.7	1.2	-
White grapefruits	83.0	-	37.9	-	-	-	2.3	9.5	20.3	1.0	9.0	1.2	-
Other grapefruits	200.6	-	-	-	-	-	-	75.4	-	0.5	124.7	-	-
Total lemons	896.9	-	497.2	1.5	-	-	38.6	-	5.5	1.3	328.2	22.9	1.7
Other citrus	7.4	-	-	-	-	-	-	6.8	-	-	0.6	-	-
Total	6 804.2	24.6	3 643.7	582.9	-	26.0	196.1	177.9	82.4	289.4	948.7	793.8	38.7

* estimates / Source: CLAM



the same apply to the Italian citrus industry with production of more than 3 million tonnes? In 2006-2007, Italy was a net importer of fresh citrus!

Catastrophic results for some suppliers

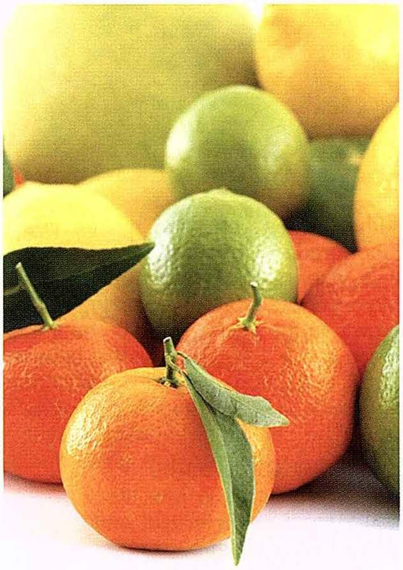
However, although the results are indisputably positive in terms of volumes exported, the economic results have been very poor for certain suppliers once again. Spain, where production increased from 5.4 million tonnes at the end of the 1990s to more than 7 million tonnes en 2006-2007, is one of the most seriously affected countries. Successive crises in recent seasons are reported to have caused cumulated losses of about EUR 500 million for citrus growers in the Community of Valencia, of which 220 million was sustained in the 2006-2007 season alone, according to the grower's association Unió-COAG.

Very large volumes of easy peelers in November and December

The crisis started once again in November. This has become a danger season because of the rocketing increase in Spanish clementine supplies, with production increasing from about 600 000 t at the beginning of the 2000s to nearly a million tonnes in 2006-2007; the quantity of 'Nules' alone has increased by some 350 000 t. In the 2006-2007 season, the quantity of easy peelers to be sold by Mediterranean producer countries as a whole exceeded 550 000 t in November and 650 000 t in December.

Weather—another major crisis factor

However, another conjunctural component of the season acted as a detonator. The weather was too warm, slowing consumption and causing fruit quality problems after a rainy period. The scenario of this 'November crisis' is now well known. Supplies of the season's clementines are still very large and the market is overloaded with early clementines that remain unsold—in spite of the efforts made to improve quality by means of new varieties—because of temperatures that are too



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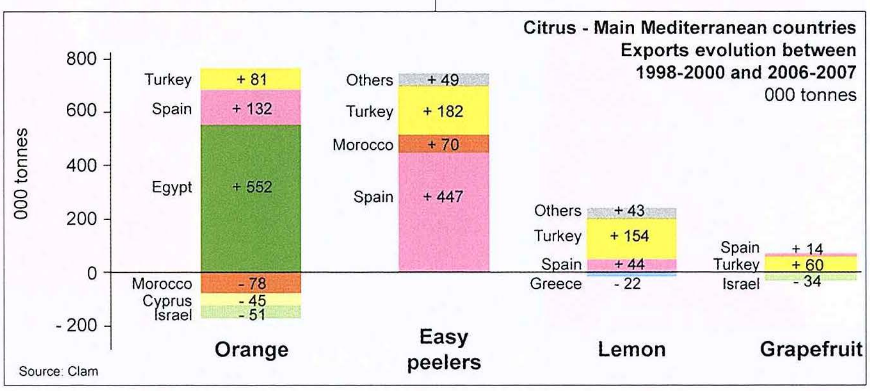
high in September and October. In parallel, demand is inadequate, especially when the warm weather continues and high humidity affects quality. The crisis takes root and spreads. The competition from easy peelers at very competitive prices slows sales of oranges; stocks are carried over, affecting the rest of the season, which is also increasingly encumbered with 'Lanelate' and 'Navelate'.

With this succession of crises, producers are wondering about the future. The problem takes a special dimension in the countries where cost price is high and even turns into a debate for society in those where water availability is becoming a critical feature. Should this scarce resource be used to grow citrus fruits of which a proportion will be sold at a loss or even left on the trees? This question is justified.

Initiatives—often private—to address the crisis in Spain

For lack of funding, the very ambitious objectives of the support plan for the citrus sector unveiled by the chamber of agriculture of the Valencia regional government at the end of 2005 are far from being attained (***FruiTrop*** 128). However, real progress has been made in priority fields to stem the crisis, often thanks to initiatives by grouped private operators. The Ceven (*Central de Venta de Citricos*) was set up in April 2007 with the aim of ensuring a decent income for growers by strengthening their negotiating power downstream. By grouping a considerable proportion of supply, the body aims at becoming a key player in order to be able to set a minimum price that covers production cost. Furthermore, this system would make it possible to put an end to transactions '*a resultados*' in which the producer is paid according to the sum of the final sale by the middleman and has no guaranteed remuneration. The idea is an attractive one, but in October Ceven represented only 8% of Spanish production, even though it handled 500 000 t.

The strengthening of juice production capacity is also an important point for using sorting rejects and above all for the regulation of supplies for the fresh market—and especially easy peelers. Thus Zuvamesa, a unit with final capacity of 400 000 t, should become operational during the 2007-2008 season.



Varietal reconversion should also continue even if the large-scale plan designed by the Valencia government has not been finalised for lack of funding. The new varieties available (triploids, some of which are from University of California, Riverside, hybrids such as 'Moncadasin' or induced mutation as with 'Tango' bred from 'Nadorcott') will make it possible to continue to extend the sales calendar and probably—by means of top grafting on 'Nules'—to reduce supply pressure in November and December, both overloaded months. The idea is to use the existing consumption potential in the late segment in markets, including those that many people consider to be saturated, such as that of the former EU-15. This approach has already been used successfully in orange with 'Navelate'. The prospects for increased production, in particular in Andalusia, and the present crisis in the easy peeler sector demonstrate the advantage of continuing this approach, with varieties like 'Powell Summer Navel' that can supply the high-quality dessert orange market until June. Citrus exporting countries in the southern hemisphere must take this change into consideration as it obviously encroaches on their market (***FruiTrop*** 133). Unfortunately, lemon growers in the Murcia region do not possess this varietal advantage at the moment. Work has begun on replacing the cultivars that are not completely satisfactory but this needs time. Production is too large, consumption lacks elasticity and competition is fierce. Thus, planning the grubbing up of part of the orchards seems to be an inevitable measure.

Different development models in different countries—and not always balanced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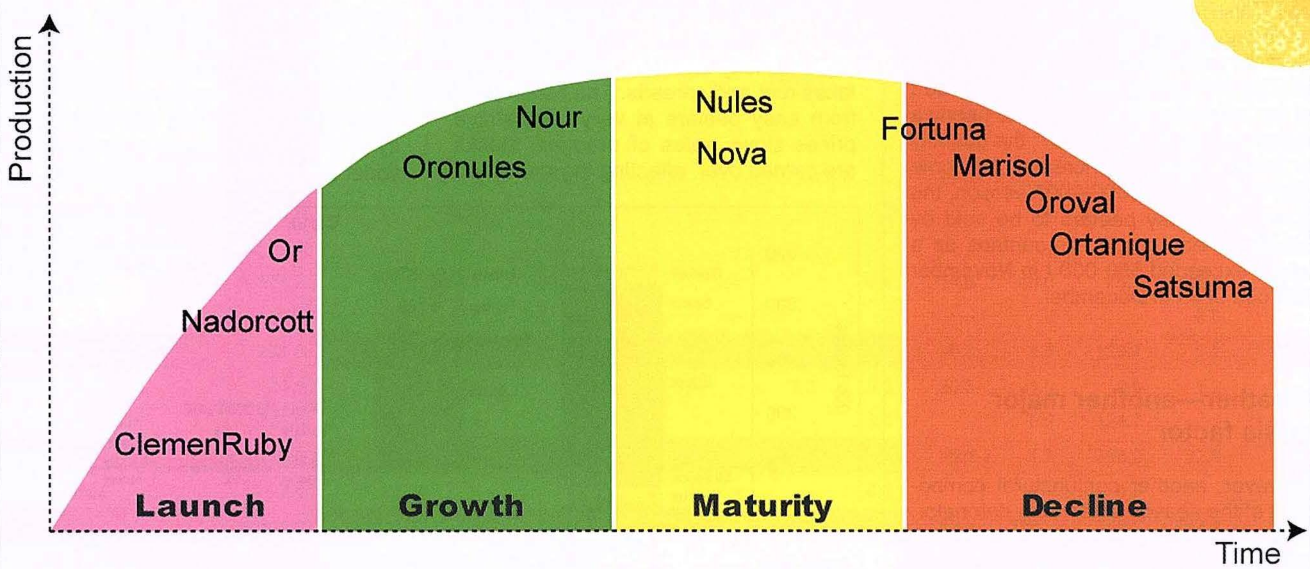
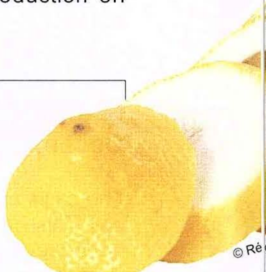
Although less affected by the crisis, other producer countries have nevertheless taken stock of the situation. Thus Morocco and Israel are working on real growth in the sector (+ 3 000 ha in Morocco and + 1 000 ha in Israel between 2005 and 2006) with a development approach in which awareness plays a role. The choice of varieties makes it possible to both ensure good quality fruits and production for a market window in which consumption is likely to increase. Thus the varieties most sought after today are 'Or' in 'Israel' and 'Nour' and 'Nadorcott' in Morocco. Efforts are also being made to develop alternative outlets. The processing industry is well-established in Israel and is becoming established again in Morocco after FRUMAT closed in 2004. Likewise, particular attention is paid to the domestic market in Morocco, where a promotion campaign started in 2006-2007.

Is this the same approach as that used in Egypt and Turkey, where areas under citrus are also increasing rapidly? It would seem rather that producers are counting on their comparative advantages in terms of production cost, especially in Egypt. The range of cultivars is very narrow, alternative outlets are limited to the domestic market and the processing industry is undersized. It is true that export figures show that this model appears to work today. However, the example of Russia shows that the quality standards of what used to be emerging markets soon adopt the quality standards of the west. It is important to stress that it seems to be the right time to initiate industrial projects. While the juice sector is very small, especially for concentrate, the positive effects of the collapse of Florida production on prices seem to be lasting.

Easy peelers - Varietal range
A life-cycle like that of industrial products

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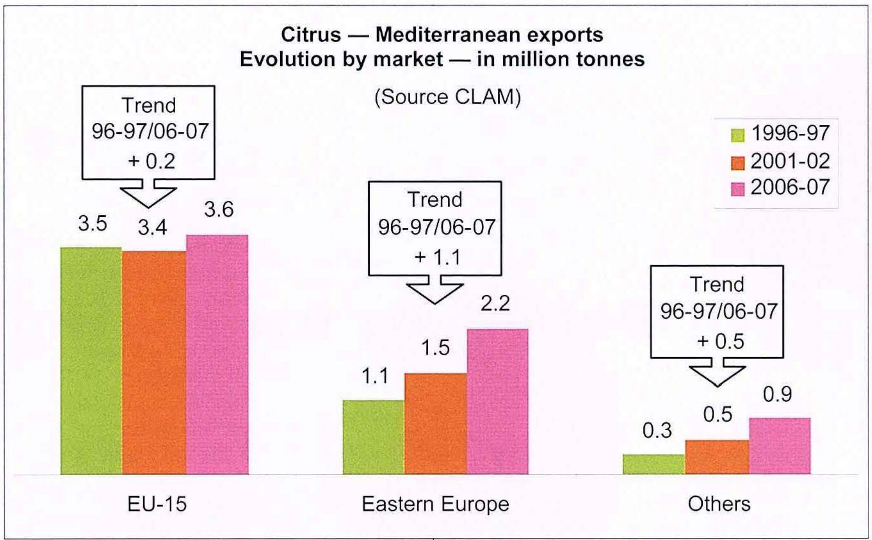

Large consumption potential is still available, right now and in the medium term

In addition to the measures already taken in some countries, Mediterranean producers possess another advantage that allows them to envisage the future with a certain serenity. The eastern European countries still have very accessible potential for growth. Easy peeler consumption in the 12 new EU member countries is still well below that of western Europe (about 4 kg per person per year against over 6 kg) and it would be worth carrying out in-depth promotion work to re-launch an orange market that is at best stagnant and very disappointing.

There is probably even more room for manoeuvre in Russia where total citrus consumption is only about 6 kg per person per year. In addition, the market for imported fruit seems to have gained second wind. Average per capita income is still increasing rapidly thanks to buoyant economic growth. It is true that it is fairly low in absolute terms but the proportion of disposable income is larger than in most developed countries. Taxes are low and Russians generally have little debt. Thus the retail trade is developing at the rate of 10 to 12% per year with 6.4 to 7.4% overall economic growth since 2003. Furthermore, a comparatively new factor is the fast increase in the number of modern retail distribution structures that satisfy consumers desire to buy. Supermarkets and superstores are no longer found just in a few large cities but are springing up in provincial urban centres.

In addition, a large proportion of Mediterranean production that meets the strict quality standards required by public regulations or by private specifications can be competitive on most of the world's markets. However, gaining a foothold in Asia (Japan, Korea and China) or Latin America often requires the respect of rigorous sanitary procedures. It is essential that the efforts made to eradicate the Mediterranean fruitfly, the main problem for access to certain markets for the Mediterranean region, should be continued. The eastern European markets do not have unlimited capacity and the winning remote markets will take time.

Even if the crisis experienced by certain producer countries is clearly real, the picture is not black. Producers have already set up facilities to address it and even have growth potential to ensure the future development of the sector. In both cases, choices of varieties and the existence of alternative outlets seem to be determinant features for the future

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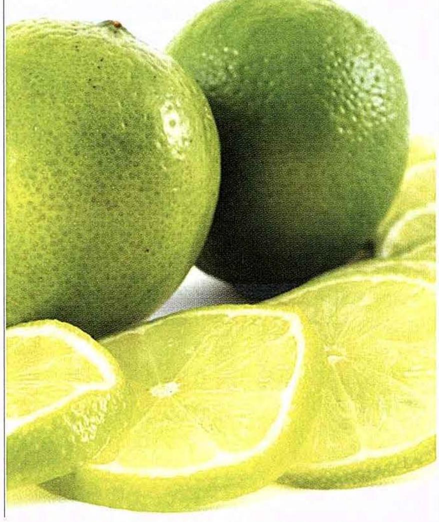

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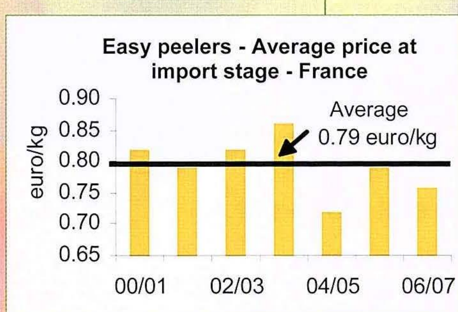
Review of the 2006-2007 winter citrus season

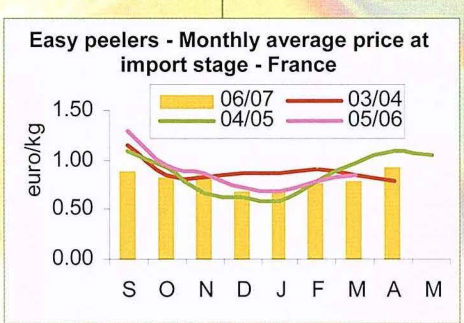
Details by fruit category

Source: Cirad

Easy peelers

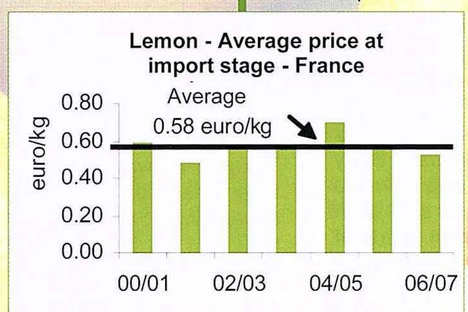
The size of the Mediterranean harvest—exceeding 5.3 million tonnes for the first time—led to fearing a difficult season. The situation was even more critical than expected, especially for Spanish producers, as in addition the weather was unfavourable for consumption and for the keeping qualities of the fruits. The season started badly in spite of the better quality of early clementines as a result of the continued replacement of 'Marisol' by other better appreciated cultivars such as 'Oronules'. Large volumes had to be sold and retailing was difficult as the weather was unusually warm for the season. Prices soon fell below average, especially for the large quantities of small fruits available. The quantities of early clementine carried over aggravated the quasi-structural weakness of the market during the heart of the season because of the large quantities of 'Nules' from Spain. In addition, heavy rainfall in the Valencia region combined with abnormal warmth affected the keeping qualities of the fruits. The market slipped in mid-November with prices reaching extremely low levels on all the European markets. This caused a serious crisis at the production stage in Spain as the producer price was often lower than production costs. Even the Spanish brands with strict standards suffered from the situation; sales were more fluid than those of ordinary fruits but the prices were extremely low. There then followed a succession of quality problems and sales difficulties until the end of the season. In this extremely difficult context in the EU, Moroccan exporters focused their shipments on Russia and Canada. Only a few suppliers or varieties succeeded in standing out as regards quality and performed satisfactorily. In the mid-season segment, spared by rain, Corsican shippers working in the mid-season period performed well in clementine in terms of both volume and price thanks to satisfactory quality and marketing that is now well structured. The late segment saw the success of high-quality varieties such as 'Or' from Israel, whose exports reached a record level, and 'Nadorcott' from Morocco and Spain.

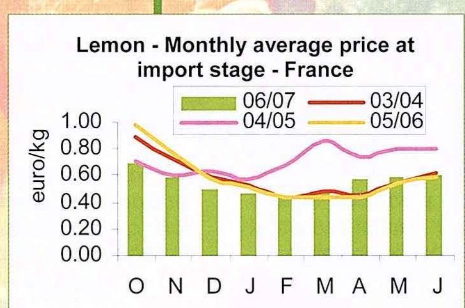




Lemon

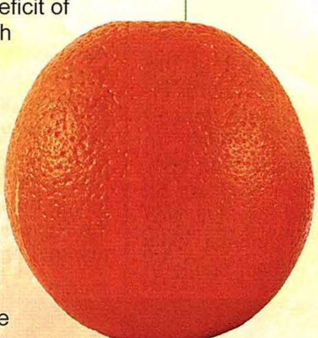
Another season with poor results. Exported volumes nevertheless reached a record level of nearly 900 000 t, thanks in particular to the sometimes opportunist development of shipments to countries previously only slightly or not at all open: Spain exported 20 000 t to the United States after frost hit the California harvest and Turkey sent larger volumes to Saudi Arabia. However, production was too large, approaching 3 million tonnes for the first time. More than 200 000 of the 1.1 million tonnes grown in Spain was not sold, as a result of very strong competition from Turkey and Argentina during the first part of the season. The abandoning or reconversion of plantations is continuing in the Murcia region. In this context, Cyprus and Greece confirmed their almost complete disappearance from the market, especially as past or present meteorological problems aggravated the problem of competition with other suppliers (frost in Greece in the 2000s and drought in Cyprus). In contrast, Italian shipments continued to increase while remaining moderate (less than 40 000 t), thanks to a differentiation strategy based on PGIs (lemon from Sorrento and Amalfi) and organic production. Likewise, Egyptian exports totalled some 20 000 t for the second season running, with sweet lemon exports sold on a niche market in neighbouring countries that is little affected by international competition.

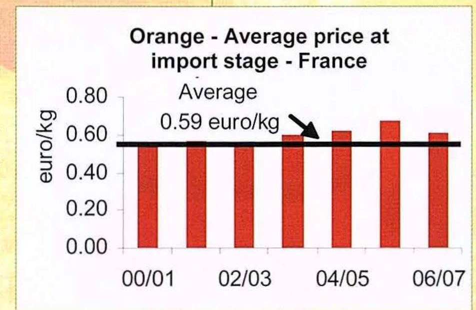


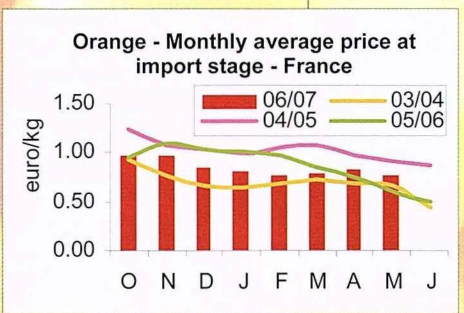


Orange

The season started well. First, only moderate volumes of late fruits from the southern hemisphere were available in October: South African production displayed a deficit of about 20% in comparison with the average and Argentinian exports to the EU decreased by 10%. In addition, the Spanish 'Naveline' harvest was larger than the preceding year's but still short. Thus referencing swung into the hands of Spanish shippers at an early date and prices held at a healthy level in spite of only moderate demand because of the warm weather. The situation changed in November. Demand was too slow (very competitively-priced easy peelers and very warm weather that did not stimulate consumption) and a few keeping quality problems resulting from the weather tipped the market over the edge. Prices fell and in Decamber and January stabilised at a level as low as in 2005-2006. The situation worsened distinctly in February with the beginning of a record 'Lanelate'/'Navelate' in Spain. Price plummeted to hitherto unseen depths at both import and production stage, especially as some 'Navel' oranges, often of uneven quality, were still available on the market. The volumes exported to the United States after the California frost did not change the trend. Only 'Maltese' from Tunisia performed well in a niche market after a difficult start. In this context of too much produce, Spanish shippers decided to delay the start of the 'Valencia' season and Moroccan exporters concentrated on Russia. The EU market turned around in a totally unhoped-for manner in April. Sales were well above average thanks to a serious shortage of competing fruits and attractive retail prices for oranges. The 'Valencia' season finished early in June and prices were fairly strong.

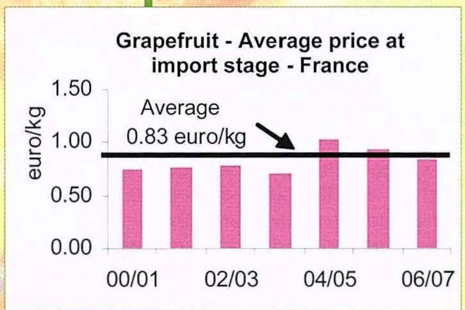


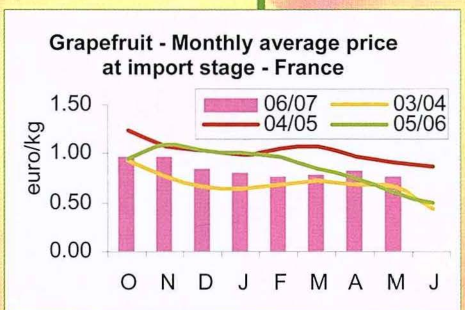

Orange - Average price at import stage - France


Orange - Monthly average price at import stage - France

Grapefruit

All professionals expected a winter season marked by a serious shortage of fruits. But it can now be seen that the EU market was much more amply supplied than expected and returned to an average level. After oscillating between 230 000 and 245 000 t during the two previous seasons, arrivals in EU-25 from September to May probably exceeded 280 000 t, that is to say a return to volumes close to those available before the Florida hurricanes. Although shipments from Florida were still distinctly short, they increased more than expected to 4.3 million boxes after 2.8 millions in 2004-2005 and 2.1 millions en 2005-2006. In parallel, the appearance or more marked presence of small supply sources also contributed to the increase. Firstly, the quantities shipped by the Central American and Caribbean suppliers who ship produce for the inter-season were larger than in previous years and the seasons were longer. Thus, Cuba returned to the market, large volumes were shipped from Honduras and Mexico was more strongly present and less restricted as regards season with the increase in export supplies from a new region, Michoacán. Secondly, imports of shaddock from China increased enormously, exceeding 20 000 t. The Mediterranean suppliers therefore lost market shares in this extremely competitive context. Sales totalled some 150 000 t, a decrease in comparison with the 180 000 t shifted in 2005-2006 but still distinctly larger than the 125 000 t of the seasons preceding the 2004 hurricanes. The prices paid were satisfactory for Florida but disappointing for the other suppliers and provide interesting information about market mechanisms. The two main market segments, that is to say top quality and budget fruits, appear to be strictly compartmentalised. The market for top quality fruits remained under-supplied while the other segments were fairly heavily stocked.


Grapefruit - Average price at import stage - France


Grapefruit - Monthly average price at import stage - France

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