

2nd March 2010

MINUTES FOR FRESHFEL/SHAFFE CITRUS MEETING OF 2nd FEBRUARY 2010

Introduction:

- The meeting was opened by José Antonio Garcia, the Chairman of the Freshfel Citrus Working Group, who thanked participants for their attendance and for their commitment to the Citrus Working Group which through cooperation is able to give a global perspective on the citrus sector. Mrs Marta Bentancur, Chairwoman of SHAFFE also welcomed the participants and will co-chair the meeting.
- Participants at the meeting were asked to present themselves. Representatives were present from northern hemisphere producing countries Spain, Italy, Morocco, Turkey, Israel, USA and China, with contributions for the meeting also received from Greece and Cyprus. Southern hemisphere representatives were present from Australia, South Africa, Argentina, Uruguay, Chile and Peru. There were also market representatives from UK, Italy, Scandinavia, Germany, France, Spain, Russia, USA and China.
- The agenda for the meeting was confirmed with no comments from those present.
- An antitrust declaration was made to remind those present that the discussion will by no means involve matters or topics which could influence market prices or volumes and that the exchange of data and information is strictly limited to matters which do not interfere with competition or anti-trust legislation.
- A summary of the situation for the previous year's citrus teleconferences was made by Philippe Binard, explaining the key timing for the teleconferences and the important seasonal information which was compiled at each meeting.
- A brief overview of consumption trends in the EU was also made, which showed that despite consumption remaining fairly constant from year-to-year across the EU, large discrepancies exist between Member States.
- Detailed information of the data presented at the meeting is included in a PowerPoint presentation used to structure the discussion. The PowerPoint is to be found in annex to these minutes. Below are some supplementary comments.

Comments below are additional or explanatory of the information included in the PowerPoint, or comments which resulted from the discussion.

Northern Hemisphere:

- **Spain:** Orange exports have been constant despite the fall in production by 20%. A higher percentage of fruit has gone to exports due to the better sizes and more concentrated season.
- **Italy:** There has been a lot of pressure on growers to get rid of small sizes from the market.
- **Turkey:** While easy peelers exports diminished by 5% in line with the production, lemon exports rose up by almost 60% thanks to availability of the markets especially at the beginning of the season. While orange exports to Russia increased by more than 50%, shipments to EU countries remained almost the same with regard to last year. Following Russian Federation, Ukraine, Iraq and

United Kingdom are the main markets that take 80% of the total easy peelers exports. Poland has also taken 3 times as many exports in December as in the previous season.

- **Israel:** High volumes of pomelo from China have greatly decreased volumes being exported from Israel, who cannot compete with the low prices. It is Turkey rather than Israel who have filled the gap in the grapefruit market due to decreased production in Florida.
- **Morocco:** There are slightly more easy peelers than last year, with no quality problems. The climate has been good, with plenty of rain helping to boost sizes. Oranges have seen a very high demand on the local market, causing problems for exports. The government are implementing a plan to increase the production of citrus.
- **USA:** Florida grapefruit has matured late, with smaller sizes and some cold damage. The forecast for California mandarins has been revised downwards thanks to recent rains. Clementine production is taking over from navels more and more every year. The slight increase from previous quarters has disappeared during the previous quarter, with a noticeable decrease in demand from food service. Texas grapefruit production is unusually high this year.
- **China:** Pomelo production is at 900.000T, a 6% increase but nowhere near the 30% forecast thanks to rains in December which saw much fruit lost and poor quality. Exports to the EU are 16% down on last year. Numbers received for other citrus varieties are unreliable and so not given. Improvements with regard to MRLs are being made, but there are still problems.

Situation on Key Markets:

- **Russia:** There are still stocks in Moscow, notably from private sellers rather than large chains. Too many smaller spot traders, particularly in Morocco are overestimating the Russian market and taking trade away from the larger importers. The coldest winter for 10 years has seen consumption fall from last year, although this is mainly to do with the economic crisis. There is a lot of cheap fruit from Pakistan which is going out to the regional markets.
- **UK:** January has been something of a difficult period for sales due to the cold weather. Demand for easy peelers was strong with good prices. Grapefruit trade has been poor and slow since Christmas, with prices particularly low. Lemon sales have been average, with some concern of availability through the transfer to SH fruit. The recent better weather has helped markets to improve.
- **Germany:** With the warmer weather seen in Germany towards the end of last year having finished, demand has increased once again despite the cold snap, along with prices. Fruit from Turkey, Italy and Greece has found a place on the market next to fruit from Spain. The large crop in Turkey was not felt on the German market, as more fruit was heading for Russia. There are some competition issues between fruit sectors, with the apple industry also trying to clear fruit stocks. The larger picture shows good potential for SH fruit on the market from March/April onwards.
- **Italy:** Consumption of grapefruit and oranges from Turkey, Cyprus and other Mediterranean countries has been much lower. The cold weather and snow has caused further problems, reducing the consumption of all fruit, although winter is rarely a strong time for imports due to strong local production. Suppliers are awaiting the SH fruit arriving in the Spring, although the slow market, less movement and prices 10-15% lower means that retailers are not currently very optimistic.

Southern Hemisphere:

- **Australia:** Sales to Asia have been strong, particularly for mandarins. Queensland and the North have had good rains, meaning a plentiful water supply, although for most regions water allocations are less than last year.
- **South Africa:** Lemons saw low demand at the start of 2009 season, but this picked up well throughout. Oranges were hit most by volume decreases. For 2010, the NH fruit is set to leave the market quite early leaving more opportunity for SH fruit. Eastern Cape lemons (50% of crop) will start in mid-March. There are new plantations of grapefruit coming through, and there is also promotion activities going on in the UK & Japan to see if demand can be boosted. Recent rains

have seen normal crops & good sizes for oranges and soft citrus. Land reforms have been a disaster with much land going to waste. More demand has been seen from Eastern markets.

- **Argentina:** Grapefruit had a poor season as in most countries, which has seen growers grubbing up trees in favour of easy peelers. Some sizing problems are anticipated for oranges this year. The weather conditions have been opposite to last year, with lots of rain in the north-east giving good sizing for navels. Growers are focusing on quality rather than quantity. Costs are increasing thanks to the fixed exchange rate with the US dollar.
- **Uruguay:** The EU took 80% of exports last season, followed by Russia. Exports were 130.000T up to the end of November. The season ended up with better results than previously expected for most varieties. Labour costs have increased substantially and freight costs are increasing by more than 40 %. Special emphasis has been made to the residue issue.
- **Chile:** The opening of US market for navels saw much less oranges coming to the EU last season, with only 3.400T (9% of production) compared to 37.000T (60% of production) the previous year. Less than 5% of clementine production was shipped to the EU, with most fruit going to the US and Japan. Over 50% of total citrus production will go to the US this year. The dry summer in Chile will see a delay in ripening by around 15 days. The lack of lemons on the domestic market will see exports start later.
- **Peru:** Last season saw a significant fall in production by around 30% after the warm spring affected fruit blossoming. There was a fall in exports of all varieties, but particularly navels to the EU and US. For the forthcoming season, a phenomenal “el niño” is causing variable conditions. Satsumas have recovered and are expected to rise back to 2008 levels after being one of the most affected varieties in 2009. More minneola crops are increasing production. Exports of fortunatas are expected to increase significantly. Exports are expected to be shared between the US (1/4), the EU (1/2), Canada and Scandinavia (remaining 1/4).

Other Issues:

- **Global Citrus Conference:** This is taking place on 8-9 July 2010 in Pretoria, South Africa. More information is available from: <http://www.gcc2010.co.za/>
- **Spanish Lemon Exporters Standard Certification:** A presentation was made by José Antonio Garcia of the new certification scheme undertaken by Ailimpo to ensure quality and real traceability of Spanish lemon exports. So far approximately 20 companies have signed up for the certification. More information is available from: <http://www.ailimpo.com/index.htm>
- **Calendar of 2010 activities:** The proposal is to keep the calendar the same as for 2009.
 - April teleconference: SH forecast/NH season ending
 - June/July teleconference: SH season development
 - Late September teleconference: Preliminary NH forecast/SH season ending
 - December teleconference: NH ongoing season

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