TRENDS IN WORLD CITRUS MARKETS

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Market News Service
Fruitrop Magazine

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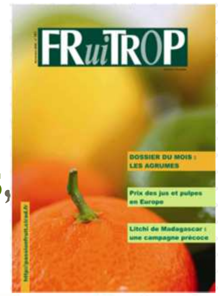
CGA Summit - South Africa

ABOUT US

- **CIRAD**: International Agricultural Research Centre for Development, located in Montpellier, France.

- ***The Market News Service***: Economical Studies Department of CIRAD.

  Our aim is to shed light on the trends and evolution of various fruit markets in order to give tools for strategic decision making



- We publish **Fruitrop** Monthly Magazine, **Weekly Market Reports**, **Studies**, and a new website www.fruitrop.com

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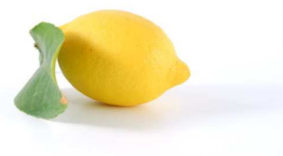
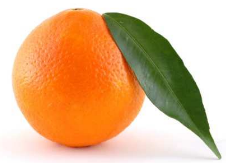
SUMMARY

- I - Presentation: the extent of world citrus industry
- II - Trends and changes in growth drivers



- III - Increasing barriers for accessing the markets

- IV - Mediterranean adaptation to new economical stakes
- V – Unpredictable dimensions not to underestimate

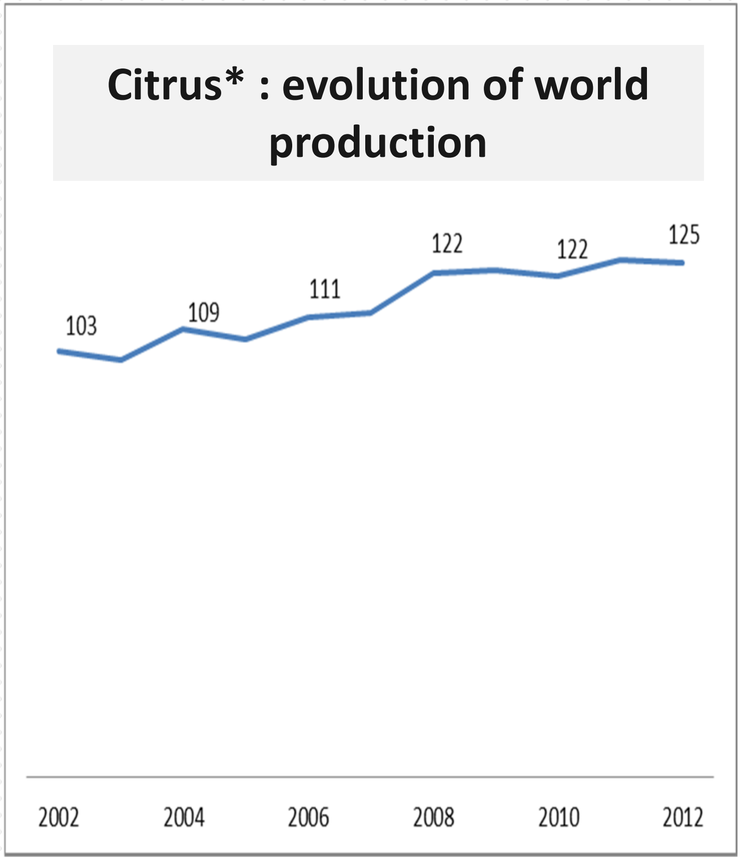


I - PRESENTATION: THE EXTENT OF WORLD CITRUS INDUSTRY

WORLD PRODUCTION

Around 125 million tons of citrus were produced in 2012*

A significant increase by 22 million tons in the past 10 years



*Easy peelers – oranges – lemons – grapefruits

Source FAO

I - PRESENTATION: THE EXTENT OF WORLD CITRUS INDUSTRY

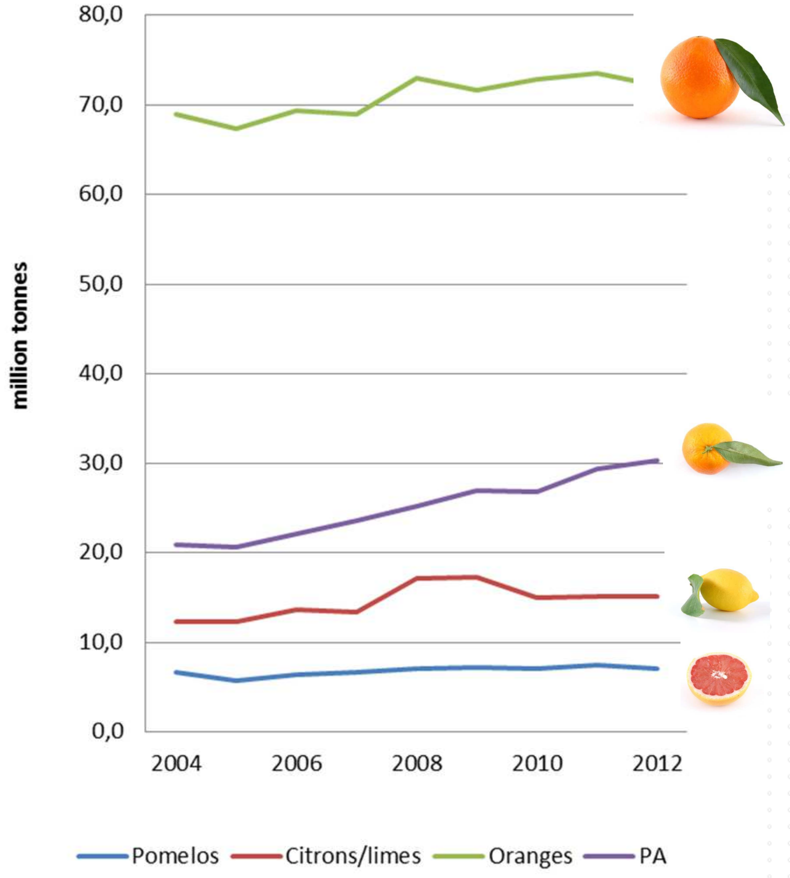
WORLD PRODUCTION

Estimated world production by type 2012/2013

Oranges	≈ 72 Mt (58%)
Easy peelers	≈ 30 Mt (24%)
Lemons / limes	≈ 15 Mt (12%)
Grapefruits	≈ 7 Mt (6%)

A yearly growth of 1 to 2%...
Except for easy peelers that grow by 5%.

Citrus* : production by type
(source: FAO – USDA – CLAM)



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I - PRESENTATION: THE EXTENT OF WORLD CITRUS INDUSTRY

WORLD PRODUCTION

3 main countries producing 50 % of world citrus: China, Brazil and the USA.

	Country	Quantities in 2012 (million tons)
1	China	31.7
2	Brazil	20.2
3	USA	10.6
4	India	8.0
5	Spain	6.8
6	Mexico	6.6
7	Egypt	3.7
8	Nigeria	3.9
9	Turkey	3.2
10	Italy	3.2
11	Iran	2.8
12	Argentina	2.8
13	RSA	2.3
14	Pakistan	2.0
15	Morocco	1.9

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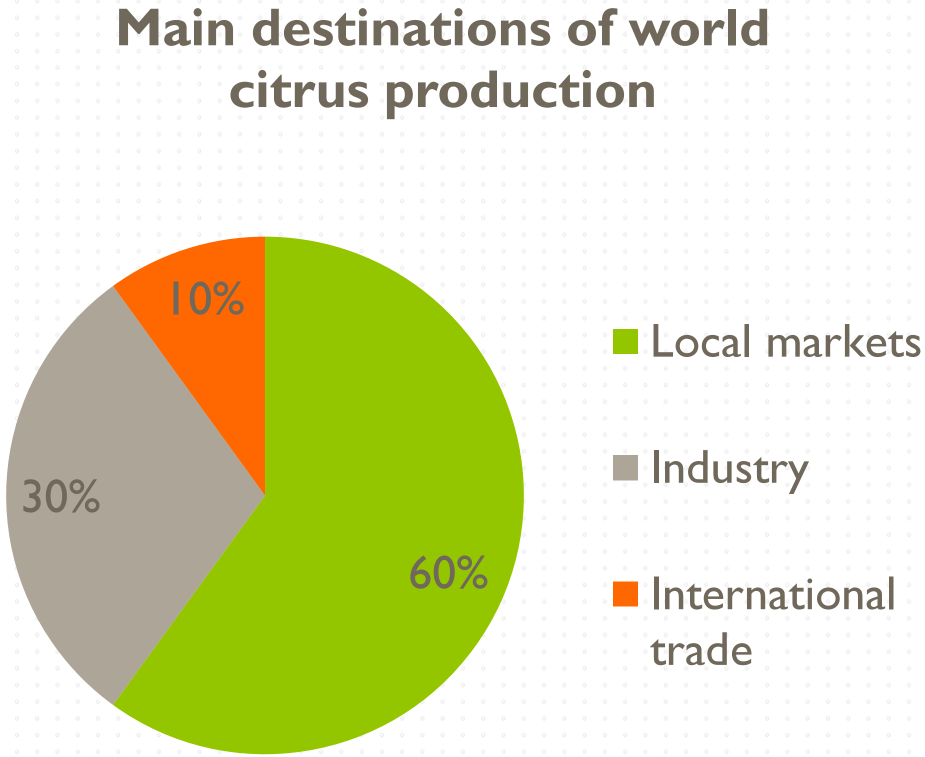
I - PRESENTATION: THE EXTENT OF WORLD CITRUS INDUSTRY

WORLD PRODUCTION

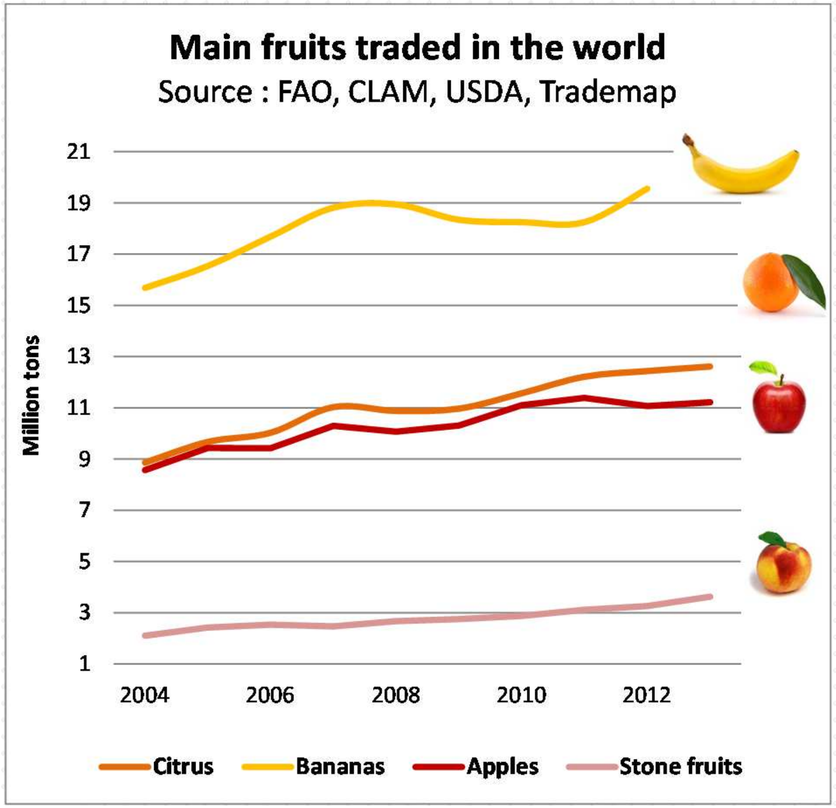


I - PRESENTATION: THE EXTENT OF WORLD CITRUS INDUSTRY

TRADE EVOLUTION COMPARED TO OTHER PRODUCTS

The second fruit category traded in the world

After bananas, and above apples and stone fruits



With more than 12 million tons traded in 2013, citrus trade represents 22% of the world fruit trade (total world fruit trade is around 55 million tons)

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I - PRESENTATION: THE EXTENT OF WORLD CITRUS INDUSTRY

- Production of citrus has significantly grown these past 10 years.

- A yearly growth of 1 to 2%... (except for easy peelers that grow by 5%).

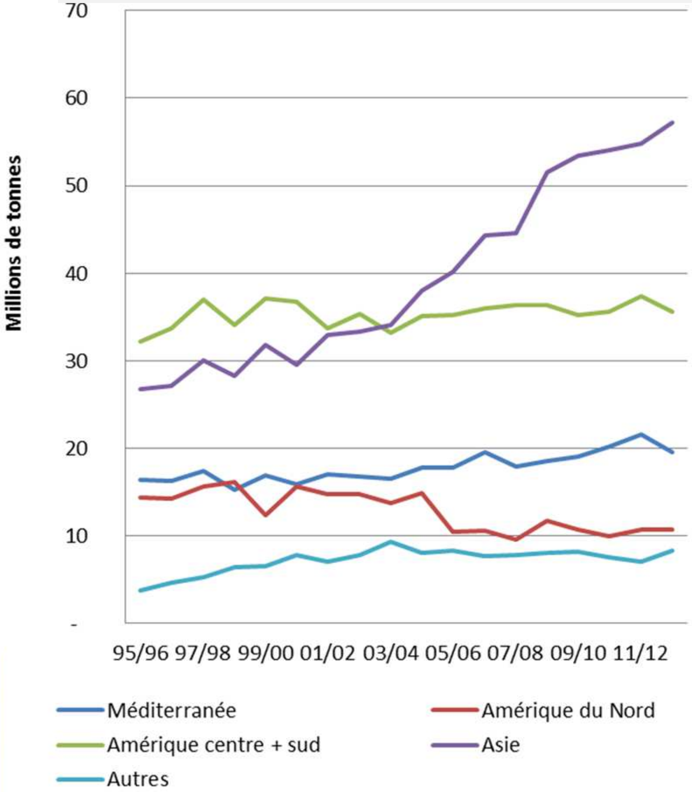
- Trade represents only 10% of what is produced in the world, ***but it has also developed in these past years and weighs 22% of world fruit trade.***

- There are regional specificities regarding production types and trade.

II – TRENDS AND CHANGES IN GROWTH DRIVERS

WORLD PRODUCTION DRIVERS

Citrus production by main world regions
(FAO – CLAM)



	Average 2010 - 2012 (million tons)	Variation in the past 10 years (million tons)	Annual growth
Asia	54.4	+ 23	5%
South America	36.4	+1.9	1%
Mediterranean basin	20.9	+ 3.6	2%
North America	10.3	+ 4.0	-3%
Others	7.3	+ 0.3	0%

II – TRENDS AND CHANGES IN GROWTH DRIVERS

WORLD PRODUCTION DRIVERS

Brazil: Stabilization of volumes after a period of decrease out of phyrosanitary issues and lack of profitability for small orange producers

USA: decline due to the effects of greening in Florida and urban pressure. Forecasting -15% in orange production in 2022/23 for Florida. What about California?

The Mediterranean Bassin steady growth, new strategies are being adopted by producers in order to expand the late segment of the season

CHINA: the booming producer. First world producer with more than 30 million tons … and still growing? (difficult greening management)

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II – TRENDS AND CHANGES IN GROWTH DRIVERS

Changes in consumer preferences

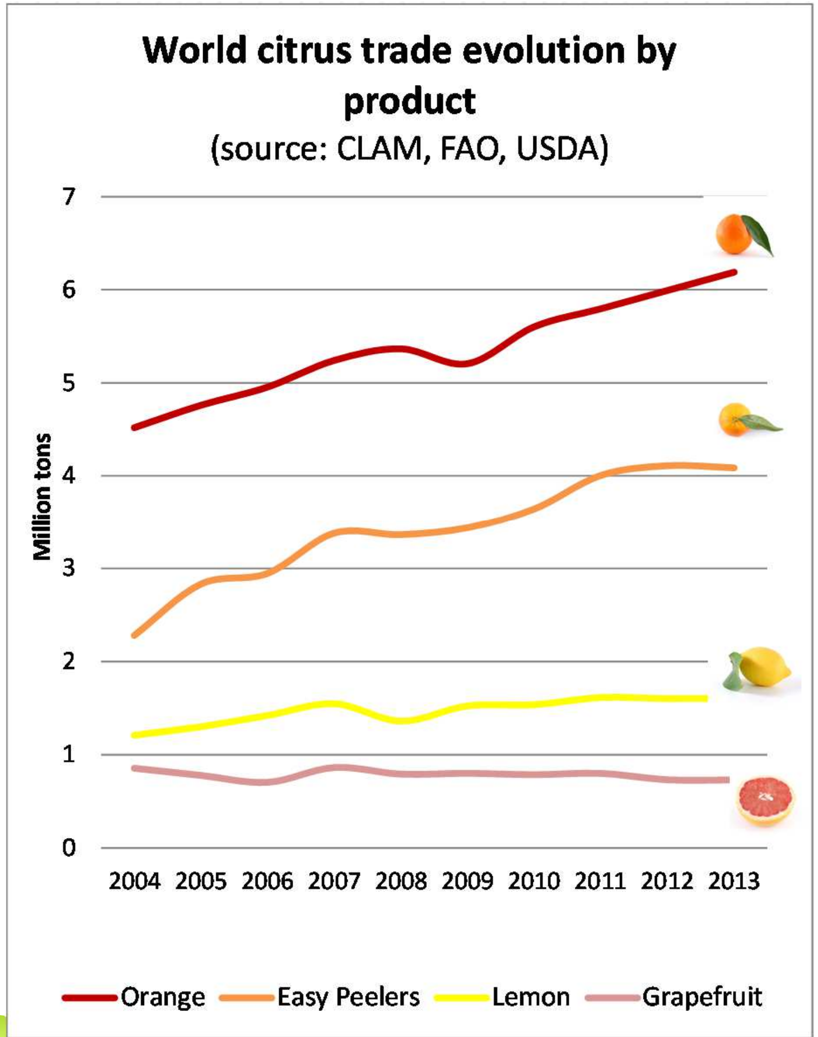
A very sharp growth for **easy peelers** (+60% in 10 years)

A steady growth for **lemons** and **oranges**

But a decreasing interest for **grapefruits**

	Average 2013/2012 *(million tons)*	Evolution in the past 10 years *(million tons)*	
Orange	6.1	+ 1.5	+ 31 %
Easy Peelers	4.1	+ 1.5	+ 60 %
Lemon	1.6	+ 0.3	+ 28 %
Grapefruit	0.7	- 0.1	- 10 %
Total citrus	12.5	+ 3.3	+ 35 %

Source: CIRAD, CLAM, FAO, USDA



II – TRENDS AND CHANGES IN GROWTH DRIVERS

EVOLVING DESTINATION MARKETS

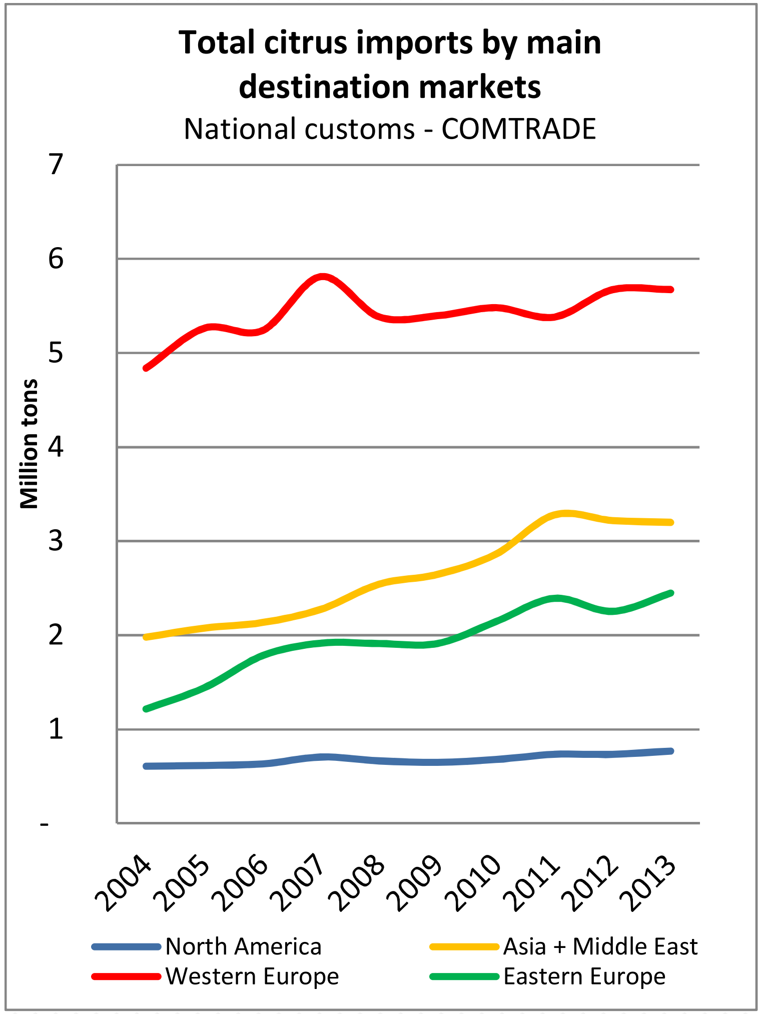
Markets evolving at different paces

Western Europe is stabilizing although a slight growth has been noticed in previous years

The Middle East and Asia (without Japan) are still evolving positively

Eastern Europe up (mainly driven by increasing demand for easy peelers – disappointing performances for other citrus categories)

Japan further down



II – TRENDS AND CHANGES IN GROWTH DRIVERS

EVOLVING DESTINATION MARKETS

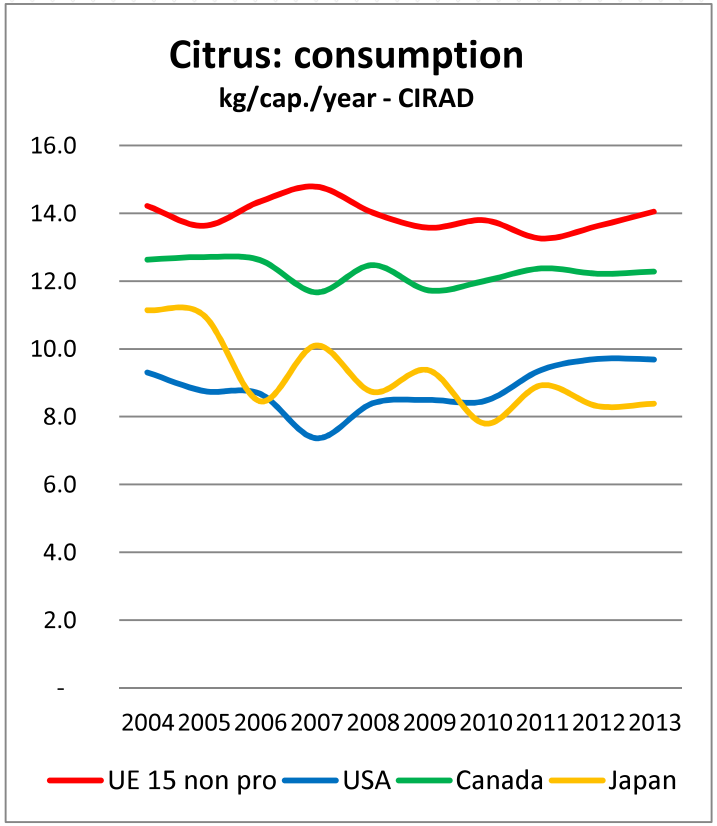
Stable consumption per capita in traditional « consolidated » markets:

Western Europe (non-producing countries) around **14 kg / capita / year (world record).** Better than in 2010.

Canada stable at **12 kg / capita / year**

The USA stable, consolidating the increase noticed since 2010, reaching almost **10 kg / cap**

Japan decreasing for the past decade as a result of the financial recession in the country



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II – TRENDS AND CHANGES IN GROWTH DRIVERS

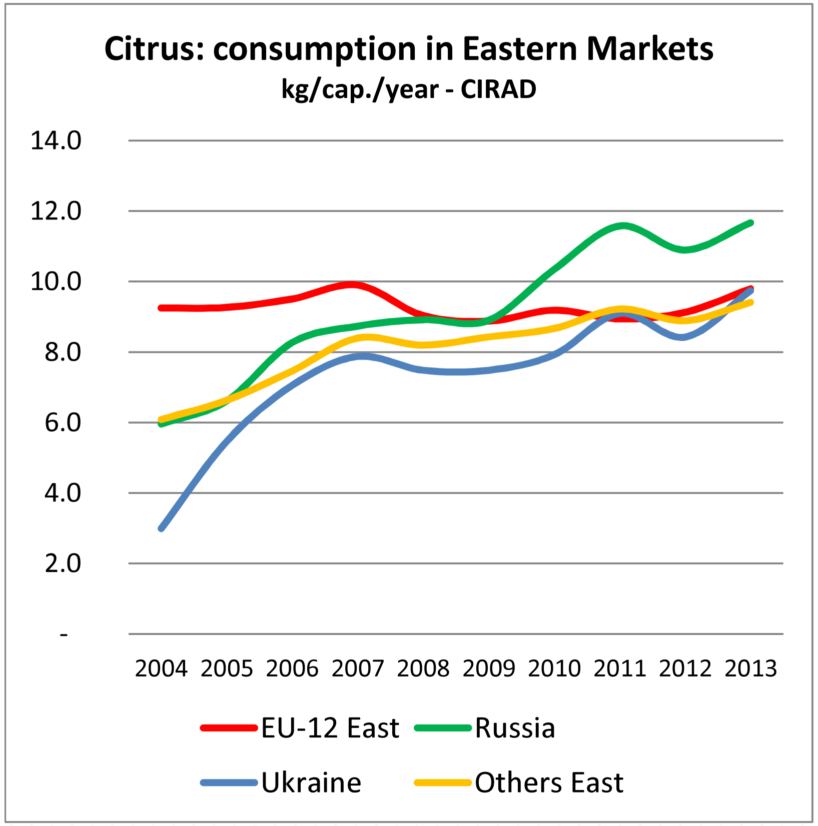
EVOLVING DESTINATION MARKETS

Increasing consumption in Eastern countries for the last decade but limits are being reached

Russia: reaching 12 kg / cap / year

East EU, Ukraine and other Eastern countries: almost 10 kg / cap / year

Eastern markets, developing for the past 10 years, still have some growth potential but seem to be reaching their limits



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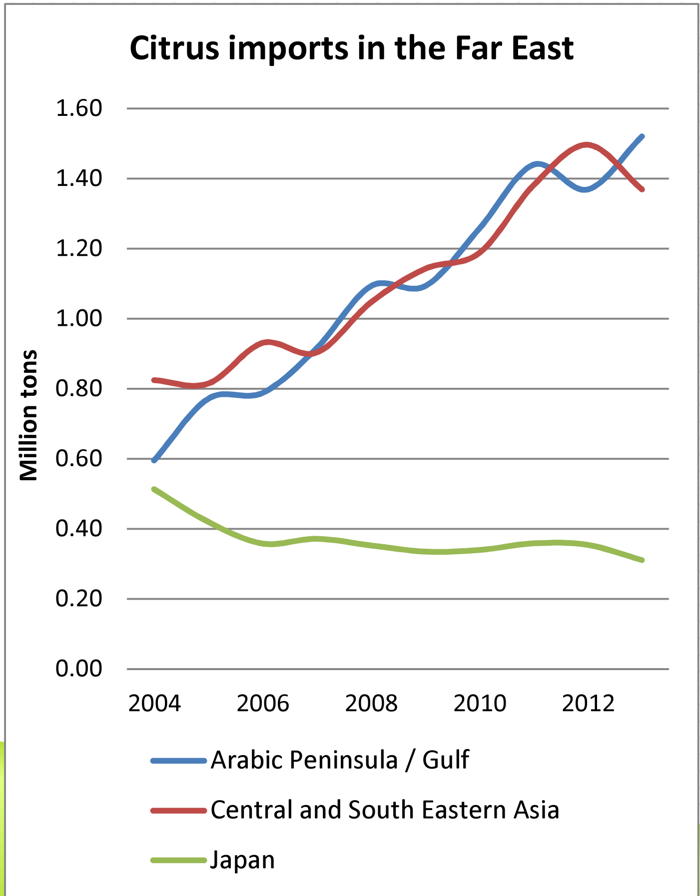
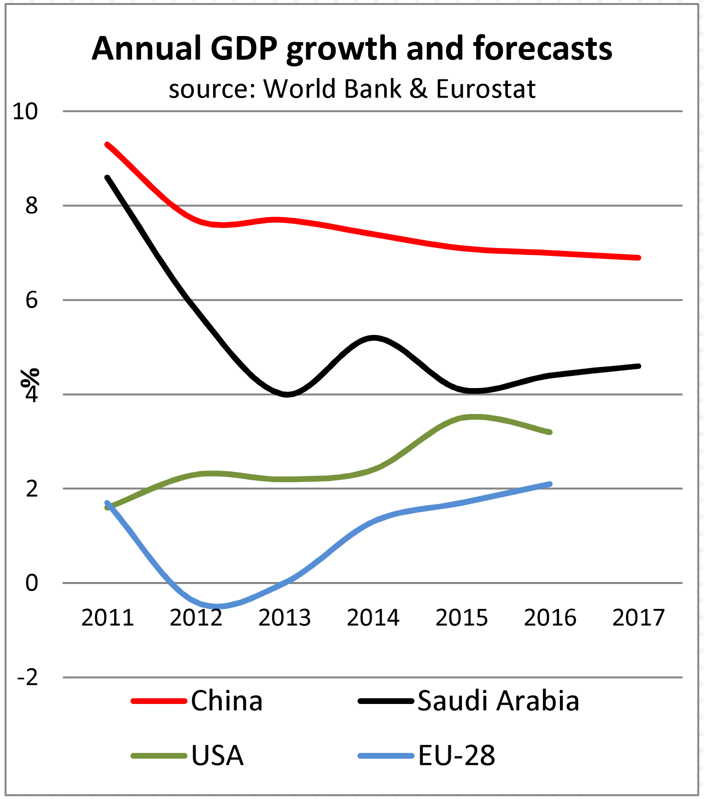
EVOLVING DESTINATION MARKETS



The very dynamic Far-East

3 million tons of imports for a fastly growing population

Where economic indicators are and should remain green!



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II – TRENDS AND CHANGES IN GROWTH DRIVERS

Several changes in market drivers

- Top world producers evolving at different paces: Brazil and the USA stabilizing, the Mediterranean Basin slowly increasing while China leads the growth.
- A change in « preferences »: developing trade for easy peelers; steady increase for oranges and lemons, but a decline for grapefruits.
- « Mature » markets stabilizing while some others are about to become « mature ».
- There is still progress to make in Asia and the Middle East where economical indicators should continue to be very positive in the coming years

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III – INCREASING BARRIERS FOR ACCESSING THE MARKETS

The New Strategies of Retailers

Marketing pricing strategies

- Range of « low price » brands
- Low prices guaranteed all year long : fruits and vegetables for 1€
- New grades for unit sales (grade 48 replacing grade 40 for grapefruits)
- « Ugly » fruits campaign

III – INCREASING BARRIERS FOR ACCESSING THE MARKETS

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III – INCREASING BARRIERS FOR ACCESSING THE MARKETS

The New Strategies of Retailers

New organization for reducing costs

- Direct sourcing (ex: Russian Magnit supermarket sourcing bananas direct from Ecuador or citrus from Turkey)
- Retailers central purchasing departments merging

(Auchan and Système U; Casino and Intermarché)

Increasing specifications

III – INCREASING BARRIERS FOR ACCESSING THE MARKETS

Increasing certification and private labels

Public regulation

- Regulations
- Traceability
- Phytosanitary regulations
- Environmental labeling project (not yet adopted)

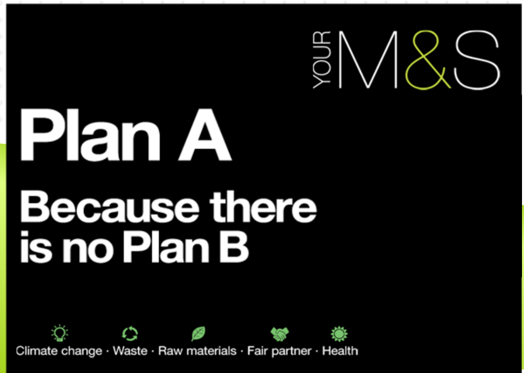
Imposed by the market

- Retailers brands
- Production process certifications
- Environmental and social labels

III – INCREASING BARRIERS FOR ACCESSING THE MARKETS

And now also eco-labels

Retailers are taking over… with carbon labeling first



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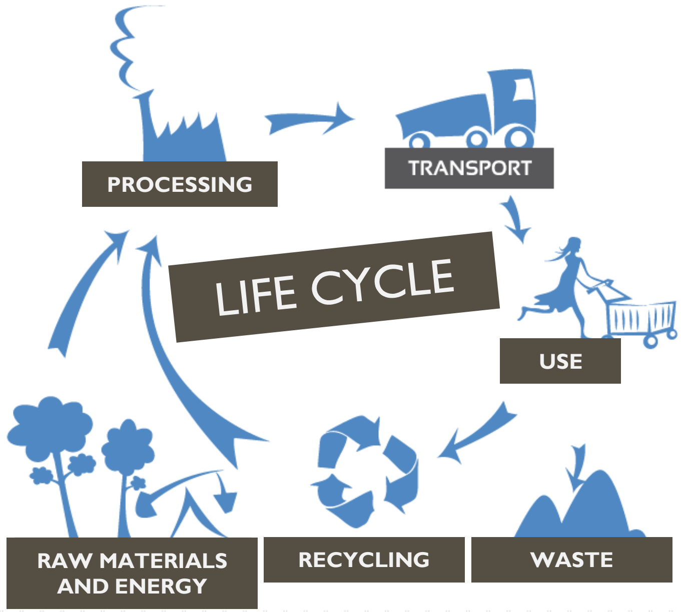
III – INCREASING BARRIERS FOR ACCESSING THE MARKETS

TOWARDS NEW SPECIFICATIONS?

Integration of other aspects: Eco-labels and life cycle assessment

Long term trend

« sustainable development »



III – INCREASING BARRIERS FOR ACCESSING THE MARKETS

INCREASING SUPPLY OF SUMMER FRUITS

Developing summer fruits season in Southern Europe

Apricots: renewal of the orchard in **France**, **Italy** and **Spain** these past 5 years.

- New young orchards in some other Spanish regions (Aragon, Catalonia)
- New varieties with high yields
- Expansion of the season: beginning in April and lasting until October

Peaches and nectarines: stabilization of volumes after increasing these previous years. Overproduction periods during the summer creating « price crisis »

- **Rising competition for Citrus in particular in Southern Europe during the summer**

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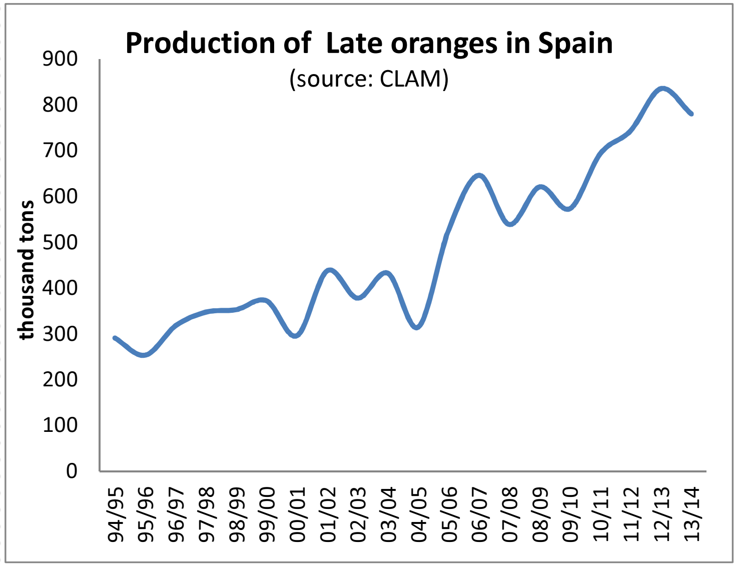
III – INCREASING BARRIERS FOR ACCESSING THE MARKETS

To sum up

- Supermarkets and hypermarkets remain the main channel for distribution of fruits and vegetables and have adopted aggressive price strategies
- Quality is no longer the main concern of consumers. Today environmental and ethical expectations are on the rise and they are being incorporated into supermarket specifications
- There is now also rising competition of European productions of summer season fruits
- Value is under pressure

IV – RISING COMPETITION OF MEDITERRANEAN PRODUCTIONS

The development of « Late » supply in different countries



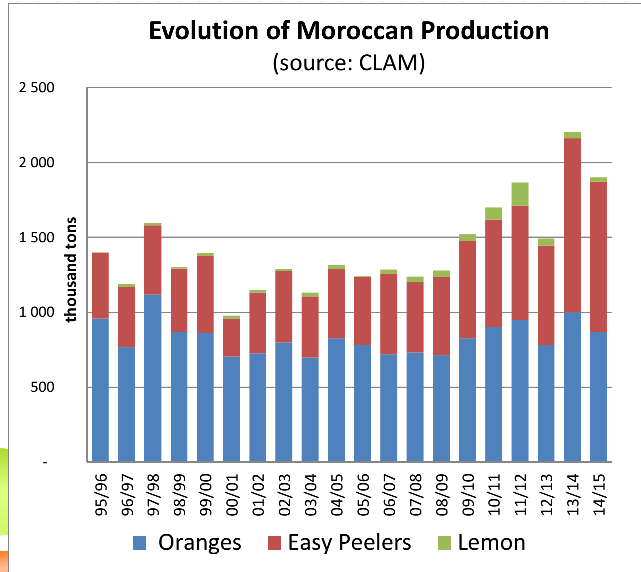
SPAIN: planting at low rate since 2006/2007 BUT:

Increasing young orchards of late table **oranges** and « very late » oranges.

Morocco and the « green Morocco plan »

Main objective to double production:

- By planting easy peelers and late oranges
- Widening the range of varieties
- Need to reconquer the European markets, that represent now only 30% of their sales



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IV – RISING COMPETITION OF MEDITERRANEAN PRODUCTIONS

The development of « Late » supply in different countries

Turkey: becoming more selective and improving quality

No additional lemon planting and decreasing grapefruit.

Increasing planting of late oranges and above all, easy peelers (W. Murcott, Tango varieties, etc.)

Egypt: mass development of the country's specialities

Strong increase of surfaces but mainly for table oranges (Navels / Late Navels)

Slowdown of investments these previous years as a result of political instability

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IV – RISING COMPETITION OF MEDITERRANEAN PRODUCTIONS

QUALITATIVE SUBSTITUTION

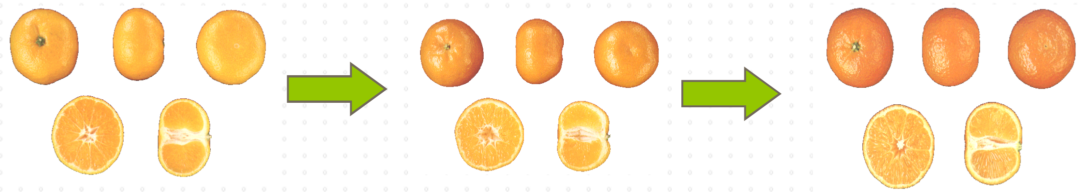
In Spain, qualitative substitution for replacing mainly the Nules, that comes in excessive quantities during the heart of the season

Israel: renewal of the citrus industry since 2000

Main objective to double production:

- Improving the water ressource by using recycle water (covers 80% of needs)
- Refocusing on easy peelers (8600 ha – 45% of the orchard. With 5000 ha for Or only)
- Uprooting of grapefruit for planting new varieties currently in testing

Satsuma → Marisol → Oronules → Improved Hybrids



SATSUMA MARISOL ORONULES

« Seedless »: a Must especially among easy peelers and lemons (triploid varieties or irradiated)

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IV – RISING COMPETITION OF MEDITERRANEAN PRODUCTIONS

RESEARCH FOR NEW VARIETIES

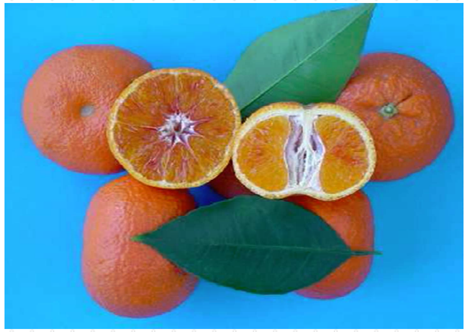
Developing « blood oranges » market segment for diversification in Spain (Cara Cara, Sanguinelli, Tarocco). Still a « niche » market but developing

Ongoing research in Italy for blood oranges (14 varieties of Moro, Tarocco have been registered). Possible for easy peelers?

Evolution of number of varieties in Spain

	1972	2000	2011	2013	2013: *awaiting registration	TOTAL
Total varieties	19	46	64	66	90*	156
Registered varieties	0	9	18	19	90*	109

Source: AVASA – OCVV, OEVV (2013)



Mandared - Tacle / Acireale - Italy

In Israel currently **testing** new varieties of grapefruit

IV – RISING COMPETITION OF MEDITERRANEAN PRODUCTIONS

Mediterranean producers are adapting to a context of crisis

- By investing in the profitable late segment of the season: massive projects in several mediterranean countries
- With qualitative substitution: replacing old varieties with new varieties exhibiting better quality, seedless, hybrids
- By trying to widen the range with other varieties (blood oranges)

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V – UNPREDICTABLE DIMENSIONS NOT TO UNDERESTIMATE

GLOBAL WARMING

Effects on production

- Hot summers and drought
- Warm falls
- Intense rainfalls during the fall
- Hail

Effects on demand

- Direct effets
- Indirect

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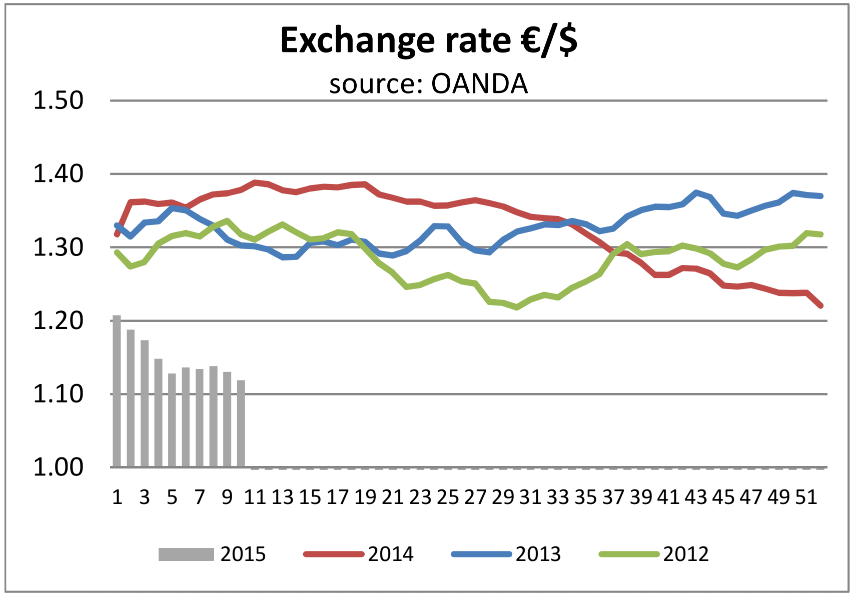
V – UNPREDICTABLE DIMENSIONS NOT TO UNDERESTIMATE

WORLD POLITICS AND ECONOMICS

Exchange rates
Impact on imports of Floridian grapefruit this year

Recession in some countries
Japan these past 10 years

Political issues…
Russian ban on European products
Wars



V – UNPREDICTABLE DIMENSIONS NOT TO UNDERESTIMATE

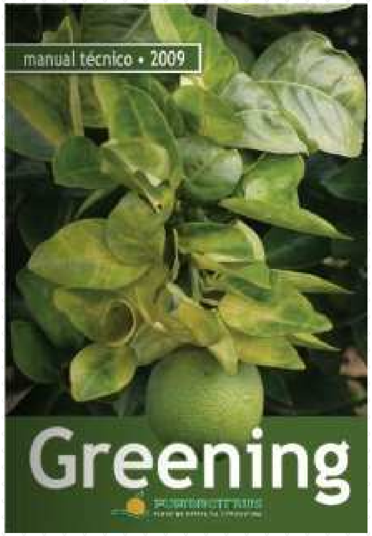
NEW PHYTOSANITARY THREATS

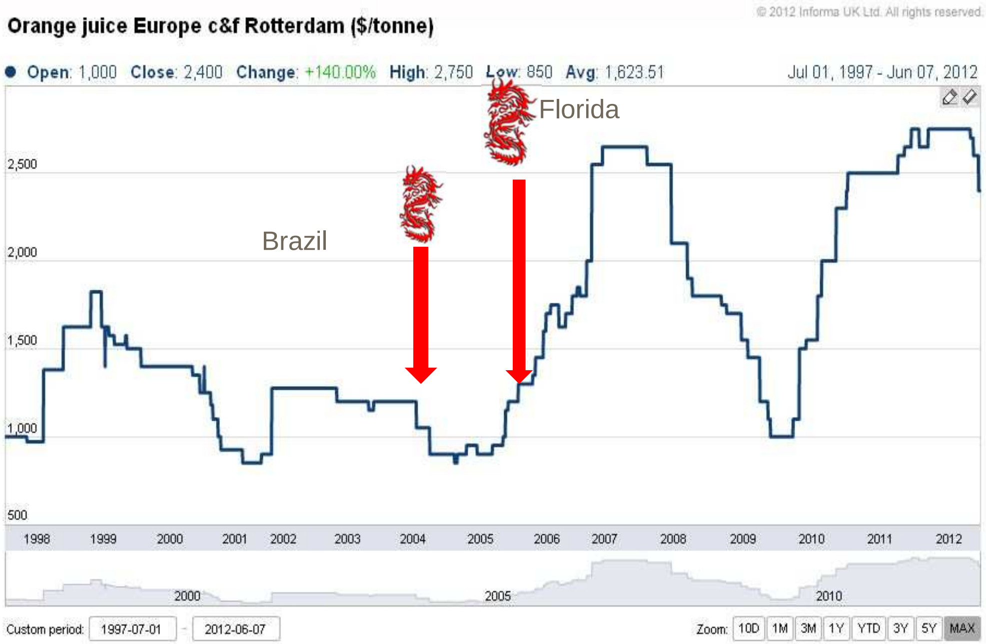
The vector of greening has been already found in

Madera (1994),

Canary Islands (2002),

Galicia - North of Spain (2015)





CONCLUSION

- World citrus industry is still developing and growth drivers have changed production-wise and consumption-wise
- Consumer concerns in « mature » markets are evolving towards social and economic stakes and retailers are incorporating these concerns into their specifications while still adopting agressive pricing strategies. Other « new » markets are developing following more traditional models
- The Mediterranean Basin is adapting its strategy to the economic crisis context
- The South African industry has strong assets to adapt to this new world scenario

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AGRICULTURAL RESEARCH
FOR DEVELOPMENT

THANK YOU

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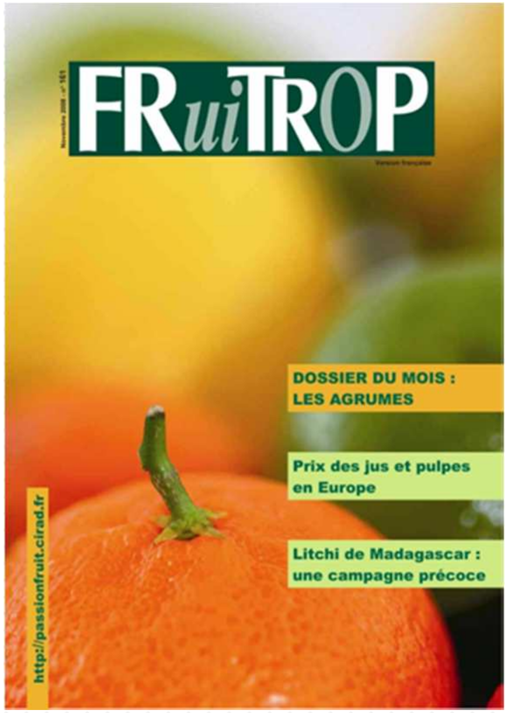

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