

## OVERVIEW GLOBAL ORANGE MARKET

Worldwide, the orange production for the season 2016/2017 is expected to be 2.4 million tonnes greater than in the previous campaign. According to estimates of the USDA, 49.6 million tonnes will be harvested this year. The greater production in Brazil will more than compensate for the reductions recorded in China and the US. South Africa is suffering from damaged fruit. Due to unclear causes, many oranges have been damaged. Also in Italy, cultivation is facing challenges. The Tristeza Virus is keeping the growers busy. Other countries around the Mediterranean have reported more positive results.

### South Africa: Good season, but a lot of damage

In the Eastern Cape, where more than 40% of South African oranges are grown, there has been a reduction in the Navel production. The harvest has been affected by cracks in the citrus. It is thought that the cause is low air humidity and heat during the blooming period. Moreover, a large part of the harvest has been damaged by *Alternaria* rot. Early varieties, like the Fukumoto Navelina and Newhall, are apparently the hardest hit by these issues. For later varieties, like the Cambria, the damage is more limited. Although the first Navels have already been harvested, the season kicked off a little later than usual. In the Gamtoos Valley, where the problems are less severe than in the Sundays River Valley, packout percentages from 50 to 60% are expected.

In the Western Cape, the same problems are taking a toll on the harvest. The abnormally large navels and tears will affect 25% of the Navelina harvest. Lesser damage is expected for the later varieties. The impact is, however, smaller in this region. There are no problems in the north of the country. In Loskop Valley and Senwes, the harvest of Navelina and Newhall is approaching its end. A large proportion of the early varieties have already been harvested and marketed. The growers are satisfied; the colours and sizes are good. In these regions, a larger harvest is expected.

Things are also looking good for the Palmer, Bahianinha and Washington varieties. There are some reports of hail and wind damage, but those reports are local. "This is the best season in ten years. The demand is good, because we started in a practically empty market, with Egypt having finished early. For us, it will be one of the best seasons in a long time," said an enthusiastic grower.



### Normal season expected in Uruguay

The country is a small player on the global scale, but still supplies good volumes of oranges and other citrus fruits to the world market. The country offers a wide range of oranges, including the Navelina, Navel Late, Lane Late, Salustiana and

Valencia. A Dutch importer distributing citrus fruits in Europe expects a normal season with a stable supply. Europe is the main sales market for the Latin American country.

#### **Brazil starting the season**

The first oranges were shipped in week 18; however, there are concerns about the EU's phytosanitary requirements for the fruit. This makes it difficult to meet the European demand. Like other countries in the southern hemisphere, Brazil is trying to increase its market share in the European market. An exporter warns of plans that the European Parliament is taking into consideration that may have an impact on Brazilian exporters.

According to estimates, the harvest will be up to 27% greater and amount to 18.2 million tonnes. This will break down the downward trend of recent years. The favourable weather conditions are the reason for the good harvest. The largest part of the production, 12.9 million tonnes, is intended for the processing industry.

#### **Egypt reports good results**

The Egyptian season, which is over now, has been much better than in the previous year. The size and quality have been better, according to the exporters. Due to the smaller production volume, the season finished earlier. The smaller volume was the result of bad weather, which caused prices to be 20% higher.

Europe and Russia import Egyptian citrus. Some exporters are still shipping to these markets, but for most traders the season is over. The Egyptians benefited from the bad weather in Spain, which resulted in good prices on the European market.

#### **Turkey closes an average campaign**

The season is almost over, with the last Navels and Valencia oranges intended mainly for the domestic market. Exporters describe the season as acceptable. There were no high expectations, but there were also no big disturbances during the season. Although the volume remained stable, the country exported more. Exporters had opportunities to ship their citrus to the Iranian market.

#### **Israel loses ground on export markets**

The export season came to a close with a 15% fall in the volume compared with last year. In the previous three years, the volume of exports had increased, but this trend has changed due to a number of factors. Thus, exporters have faced high levels of supply from competing countries on the European market, but they have also faced the impact of the weather, which has caused some quality issues.

Of the 42,000 hectares that the country had in the 1970's, only 17,500 hectares remain. Much of the production is intended for the domestic market. The export volume usually amounts to around 4,000 tonnes. The most common varieties are the Shamouti, Tabouri and Valencia. Competition in the export market is especially tough for the late varieties. If this trend continues, the largest part of the Valencia may be abandoned within two years.

#### **Disappointing campaign in Spain**

The Citrus Management Committee (CGC), the Spanish association that brings together the country's main private exporters, describes the development of the current orange campaign as "disappointing" and "very irregular." In contrast to the moderate results of the previous campaign, the present season has been marked by the impact of inclement weather, which the sector is now overcoming. The improvement in demand and prices could consolidate in this last part of the season, but after the rough weather conditions in late 2016, the rise in prices at origin has been more pronounced than that of the ones paid at the warehouse.

In chronological order, the campaign has been marked by the following key factors: the mistaken and unreal perception that there was going to be an orange overproduction; the delay in the arrival of the cold to Europe, which discouraged demand; the more psychological than real effect of the first year of the EU's trade agreement implementation on citrus fruit from South Africa, and the devastating damages and the halt of the harvest caused by the storms in November and December, that took a toll on the quality of the Spanish supply. As early as February and March, the labour conflicts and the more or less covert strikes of the stevedores slowed down and even delayed the shipments to non-EU markets.

#### **Trend change**

The storms are over and the clementine campaign has come to close. After the critical moment of Christmas (which usually affects the shipments of the Navelina campaign) and the mid-January heavy frosts that affected mainly Italy, but also

producing areas such as Greece and Turkey, the market seems to have followed a somewhat more positive dynamic, with a more sustained and smooth demand that is benefitting the later Navel and Valencia oranges.

#### **Italy affected by virus**

The Italian campaign is already over. For Sicilian oranges, the season has been satisfactory. A trader tells us that the fruit could be sold without any problems; however, the volume fell by 40%. The domestic market absorbed the fruit without any issues. There were also good prices on the export market and there was a regular demand. "We could say that this season has been one of the most interesting for both production and trade," explains a trader.

As for the next season, the trees are already blooming again. As it looks now, a big harvest awaits; however, anything could still happen this early in the season, and the Tristeza Virus poses a major threat to the crops.

A trader assures us he is optimistic about the future. The demand for Sicilian blood oranges is on the rise. The 2016/2017 season, which ended in spring, was marked by some critical developments. The volumes fell sharply, partly due to the impact of the virus and bad weather. That resulted in low prices. The prospects for the new season are alright. "We expect an improvement. It's clear that the volume will be limited by the virus, but the bloom is looking good," states a trader.

The analysis of a citrus agronomic expert is not as optimistic. He points to an early end of the season, which was the case for the Tarocco in March. Traders had a low turnover. "Only growers with young trees are safe because, for example, they do not suffer from the Tristeza Virus," he affirms. Production costs were also significantly higher than in the previous season. The costs amounted to around 1 Euro per kilo by the end of the season, while sales prices remained stable. This will slow down the investment, warned the analyst.

#### **The Netherlands: Mysterious issues with Navels at start of South African orange season**

The South African citrus season has kicked off again. With the big drop in the Navels, the Cold Treatment Measures imposed to tackle the African Fruit Moth and the diminishing importance of Europe for South African growers, there are plenty of ingredients for an exciting season. The Navel oranges are struggling with severe problems in a large part of the area. "There are currently technical investigations into the cause. Some theories point to the excessive differences in day and night temperatures, the quality of water and drought in recent years, or possibly a combination of factors. The Navels seem to be the focus of most concerns, but the first signs of damage have also been observed in the Navel Late and Midnight oranges. Only the Valencia seems to be still free from damage. Of the three areas where Navels are grown, there is about the same volume in the north as last year, but in recent years, many Navel growers have switched to the cultivation of mandarins and lemons. In the Eastern Cape, the problems are the most severe, with a drop of around 30-40% in the supply. In the Western Cape, availability is also expected to be 20-30% lower, even though these problems will become clearer in the coming weeks. There is already a very good demand for citrus. Egypt has already finished its export season and California has also finished earlier. Furthermore, there is an excellent demand from the Middle East due to the Ramadan

The shares of the purchases of South African citrus have changed somewhat. In the past, Europe had always been the most important market for South Africa, but now only 35% of the fruit is still going to Europe, with 65% sold to highly-expanding markets outside of Europe. This is in contrast to, for example, Uruguay, which has a smaller production, but is more focused on Europe. Uruguay will always need Europe, as opposed to, for example, citrus producers in South Africa, which are much less dependent on trade flows to Europe.

#### **Australia expects average season**

At present, the market is in a transitional stage. The country has a year-round supply of domestic oranges. Navels are one of the most popular varieties. These oranges are available between June and October. The production areas are mainly located in the southern regions: Murray Valley, Riverina in New South Wales and Riverland in South Australia. The Valencia is a very common orange variety. The season is in the summer months, from November to February. The main cultivation area for these oranges is Riverina.

Growers expect average to slightly higher production volumes this season. Given the nearly stable volume, hardly any price changes are expected. The fruit could actually be slightly smaller because of the hot summer, with temperatures above 40 degrees Celsius. A grower who invested in the M7 Navels sees a rising demand for this variety. He is struggling to keep up with that growth and is expanding the acreage in order to meet the demand. This breed is popular in export markets in Asia.

#### **US reveals estimates**

The US estimates that the production will be 470,000 tonnes lower than last year and will reach 4.9 million tonnes. Citrus greening is taking a toll on the sector in Florida. This state accounts for nearly 60% of the US orange cultivation. The remaining 40 percent is grown in California. Florida focuses on the processing industry, while California is focused on the fresh market.

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